

صباحنا من الامل

# FINANCIAL TIMES



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World Business Newspaper <http://www.ft.com>

TUESDAY AUGUST 27 1996

## Threat to freeze US assets of Lloyd's of London

New York state's insurance watchdog is ready to freeze the US assets of the Lloyd's of London insurance market if necessary. The warning comes just before Lloyd's appeals against Friday's highly damaging ruling by a US federal court in its struggle to complete a \$3.2bn (£8bn) financial restructuring this week. Lloyd's has \$12bn in trust funds at Citibank in New York to support US underwriting. Page 5

**Lebed seeks backing:** Russian security chief Alexander Lebed launched a vigorous political offensive to win Kremlin support for his efforts to secure peace in Chechnya. He met prime minister Victor Chernomyrdin, but was again refused a meeting with President Boris Yeltsin. Page 12

**Airbus hijacked to Cyprus:** A man hijacked a Sudan Airways Airbus 310 on a flight from Khartoum to Amman and demanded that it be flown to Cyprus. The captain told the Cairo control tower he was complying with the demand.

**Ukraine currency weakens:** Ukraine's karbovanets currency was marked down by Kiev traders a day after the government announced that a new currency, the hryvna, would replace it next week. Page 2

**Beijing demands halt to arms sale:** China demanded that the US cancel plans to sell Stinger missile launchers and other weapons to Taiwan to prevent "new damage" to Sino-US relations. Page 4

**Conseco buys four concerns:** Acquisitive US life company Conseco announced four acquisitions totalling \$2.04bn. It has bought 25 life insurance companies since 1982. Page 13

**Ferry rescue:** All 117 people aboard were safely evacuated when a French ferry caught fire near the British island of Guernsey.

**Hong Kong sees launch of new group:**



A new political grouping has been launched in Hong Kong as the colony prepares for the hand-over to China. Hong Kong legislator Emily Lau (above) displayed the manifesto of the Frontier group, an alliance of students, trade unionists and teachers which wants all Hong Kong people to have a vote for the head of the post-1997 administration and opposes China's plan to replace the existing legislature. Page 4

**Estonia vote:** Neither candidate for the presidency of Estonia won enough votes in the Baltic state's parliament. A second round is due today, with the election open for new nominations. Page 2

**Malaysian PM hits at west:** Malaysian prime minister Mahathir Mohamad accused western nations of using unethical methods to hinder Asia's development and said they should not fear the region's progress. He said western nations embraced free trade until Asian products began encroaching on markets in Europe and North America.

**Pakistan denies:** Pakistan dismissed a US newspaper report that it was building a missile plant near Islamabad with Chinese help as "another false and malicious story".

**Egyptian doctor held:** Egyptian police have arrested a doctor after the circumcision of a 14-year-old girl who later died. He has been charged with negligence. Female circumcision was banned in Egypt's public hospitals last month.

**Jordan plans changes:** Jordan announced measures to boost private investment and create jobs in the wake of recent bread riots.

**England overwhelmed:** Pakistan beat England by nine wickets in the third cricket Test at London's Oval to take the series 2-0. England, starting the day at 7-0, collapsed to 243 all out, losing six wickets to leg-spinner Mushtaq Ahmed.

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STOCK MARKET INDICES		STERLING	
Telco Index	21,823.74 (+345.00)	New York	1,558.25 (1,558.8)
New York	1,558.25 (1,558.8)	London	1,558.25 (1,558.8)
Dow Jones Ind	5,882.15 (+28.59)		
S&P Composite	863.53 (+3.50)		
US RATES		NEW YORK	
Federal Funds	5.12% (5.14%)	DM	1.478
3-mo Treas Bill	5.183% (5.144%)	FF	5.8255
Long Bond	97.2 (97.5)	SR	1.19405
Yield	5.957% (5.929%)	Y	107.725
GOLD		Tokyo close Y 168.025	
New York Comex	339.45 (332.2)	London markets closed	

Country	Code	Rate	Country	Code	Rate
Albania	LEK	220	Gibraltar	GT\$	160
Austria	Sch	133.76	Lithuania	Lit	150.00
Bahrain	BHD	4.76	Latvia	LVL	136.00
Belgium	Bfr	20.336	Lebanon	L.L.	150.00
Canada	Cdn	70.913	Malaysia	Mal	4.76
Chad	CFA	200	Mexico	Mex	16.67
Czech Rep	Czk	166.64	Moldova	MDL	16.67
Denmark	Dkr	6.46	Norway	Nkr	4.76
Egypt	Egp	20.00	Poland	Pln	4.76
France	Ffr	6.5596	Portugal	Pta	200.48
Germany	DM	1.478	Romania	Rol	16.67
Greece	Dr	340.750	Slovakia	Skr	16.67
Hong Kong	Hkd	7.75	Slovenia	Sit	16.67
India	Rs	47.5	Sri Lanka	Lkr	16.67
Indonesia	Rp	1,500	Taiwan	Ntd	16.67
Italy	Lira	200	Thailand	Thb	16.67
Japan	Yen	100	Turkey	Lira	16.67
Korea	Won	100	Ukraine	Hryvna	16.67
Malaysia	Mal	4.76	USA	Dollar	1.00
Mexico	Mex	16.67			
Norway	Nkr	4.76			
Poland	Pln	4.76			
Portugal	Pta	200.48			
Romania	Rol	16.67			
Slovakia	Skr	16.67			
Slovenia	Sit	16.67			
Sri Lanka	Lkr	16.67			
Taiwan	Ntd	16.67			
Thailand	Thb	16.67			
Turkey	Lira	16.67			
Ukraine	Hryvna	16.67			
USA	Dollar	1.00			

## US telecoms groups in \$19bn deal

By Richard Waters in New York

Two of the US's fastest growing telecommunications companies unveiled a \$19.4bn combination yesterday in a deal intended in part to provide a springboard for rapid expansion in Europe's business telephone market. WorldCom, the US's fourth-biggest long-distance carrier, will acquire MFS Communications, a company that has built a series of local telephone networks in the US and Europe over the past decade, in an all-stock deal which values MFS at \$10bn. The agreed takeover is the latest prompted by this year's Telecommunications Act in

### WorldCom and MFS set sights on expansion in Europe

the US, which has set in train a deregulation of the country's telephone markets. Mr James Crowe, chairman of MFS, said the merger would provide the resources to invest heavily in building new fibre optic networks in foreign cities. Over the next five years, he added, the company planned to build its own networks in 45 financial centres around the world. By combining their existing local and long-distance fibre optic networks, the two companies are set to offer a complete package of services to business customers in the US

as soon as the deal is completed. That could give them a head start over other US long-distance and local telephone companies, which must meet a series of regulatory requirements and conclude complex interconnection agreements before being able to offer a full range of telephone services. WorldCom's offer of 2.1 shares for each of the 221m MFS shares outstanding, led to a 34% fall in its stock price to \$22.4 yesterday morning. Shares in MFS rose \$9 to \$43.7. Mr Bernard Ebbers, who has made WorldCom one of the

US's fastest growing companies over the past decade, said the agreement would hurt the company's earnings per share over the next three years, but by the end of that period the savings from the combination would have equalled the full purchase price. The two companies said they would save money because WorldCom would be able to reduce the access charges it pays to other local companies to complete its long-distance calls, and because the two would be able to use each other's infrastructure. Mr Crowe added that the

deal would free MFS to spend more on building networks in cities abroad. It would no longer need to build a long-distance network in the US, or an undersea cable across the Atlantic, he said. MFS's capital spending currently stands at some \$600m a year, but the company had indicated earlier that it intended to lift that to \$1.1bn. MFS already has an extensive fibre optic network in London. It also has less extensive networks in Paris, Frankfurt and Stockholm, and has received a licence to build in Amsterdam and some other German cities. MFS has just completed a \$2bn acquisition of UUNET Technologies, a provider of Internet access services. Once the latest deal is completed, WorldCom will become the first US company to be able to offer local, long-distance and international service on its own networks, as well as Internet access, Mr Ebbers said. Mr Ebbers predicted that selling local service and Internet access to WorldCom's existing long-distance customers would reduce the rate at which it loses customers from over 2.5 per cent a month at present to under 1.5 per cent. Lex, Page 12

## Clinton targets gun control on trip to woo Midwest

By Patti Waldmeir in Chicago

US president Bill Clinton yesterday proposed tougher gun control laws as he continued his whistle-stop tour of the Midwest to the Democratic party convention which opened in Chicago last night. The president has proved a quick learner in the art of "pullman politics", exploited by presidents since Abraham Lincoln to boost their popularity among grassroots voters. Travelling in the same train used in a 1948 come-from-behind campaign by Harry Truman, Mr Clinton passed through the key swing state of Ohio yesterday.

Waving from the back platform of a flag-bedecked rail car christened the "21st century express", Mr Clinton appeared rejuvenated by the kind of campaigning he likes best: direct contact with voters. He relied heavily on railway metaphors to convey his message: "I want America to know that we're on the right track in this country and we're going forward," he told an Ohio rally yesterday. The president's rail journey, carefully scripted by two Hollywood producers, is designed to provide the drama lacking at the convention hall in Chicago, and to build suspense for his arrival at the convention tomorrow night when his party will nominate him to run for a second term.

Every day, he is due to announce a new initiative to capture headlines. Yesterday, he sought to adopt a tough profile on crime, by proposing a minor change to laws to restrict gun sales to criminals. He proposed that those convicted of domestic violence - a misdemeanour - be prevented from purchasing guns. Those guilty of felonies are already barred from gun ownership. "I believe strongly in the right of Americans to own guns. But if you commit an act of violence against your wife or your spouse, you shouldn't have a gun," he said.

The limited nature of the proposal reflects Mr Clinton's incremental approach to politics, which focuses on small improvements likely to be popular with voters rather than revolutionary change. This approach has proved popular. A CNN poll published yesterday showed Mr Clinton leading his Republican challenger, Mr Bob Dole, by 12 points even before the convention began, up from 7 per cent the week before, when ratings were boosted by the Republican party convention. The president will be hoping to widen that lead further after the week-long Chicago celebration of his nomination.

Democrats eager to reflect diversity, Page 3

## Chun Doo-hwan sentenced to die ■ Roh Tae-woo and four businessmen given jail terms



Former South Korean presidents Roh Tae-woo (left) and Chun Doo-hwan grasp hands as they are sentenced in a Seoul court yesterday after being found guilty of mutiny and sedition.

## Lufthansa profits decline 37% after rivals cut prices

By Sarah Althaus in Frankfurt

Lufthansa, the German airline, said yesterday that aggressive price cuts by competitors and a fire at Düsseldorf airport had contributed to a 37 per cent fall in pre-tax profits in the first six months. Interim profits were DM118m (\$79.8m), compared with last year's DM189m. Although this was better than provisional figures released last month, investors were unmoved, and the shares eased to DM208.

The airline repeated that its goal for the full year was to match its record 1995 earnings of DM756m. It aims to save DM190m this year by cutting flights and reducing staff in an effort to counter falling passenger numbers. Interim sales increased from DM9.2bn to DM9.8bn. For the full year, revenues are expected to rise about 5 per cent from DM19.9bn last time, the group said.

Lufthansa's Condor unit and its technical services and systems divisions contributed more than DM600m to interim turnover. The cargo business was the only unit to report lower sales. This was attributed to the weak domestic economy. Passenger numbers edged up 0.4 per cent to 19.7m, with figures in Germany falling "well short of expectations", Lufthansa said. Cargo tonnage rose 2.8 per cent to 808,600 tonnes.

Overall load factor, or aircraft utilisation, fell 1.6 points to 68.3 per cent. Product improvements helped fuel a 5 per cent increase in revenue per passenger kilometre. This more than offset a slight decline in yields per tonne of air freight. Capital expenditure rose from DM798m to DM1.06bn, with DM810m spent on aircraft purchases or down payments. The results announcement follows a turbulent period for Lufthansa's share price, after a German newspaper reported in June that the group would make a big loss in the first half. The stock fell sharply after Lufthansa confirmed that the period had been unsatisfactory. It was not until last month that Mr Jürgen Weber, the chairman, said the airline had made a profit.

Lufthansa yesterday distanced itself from an aggressive attempt by one of its sales teams to raise its market share. The carrier's North Bavarian sales team had sent letters to some 30 travel agents encouraging them to keep the British Airways share of the German market below 15 per cent from mid-October to mid-December this year or risk getting worse terms of business from Lufthansa. Lufthansa said the incident was unauthorised and that there would be "consequences" for the department involved.

## Former Korean leaders found guilty over coup

By John Burton in Seoul

A former South Korean president was sentenced to death yesterday and his successor was jailed for 2 1/2 years for leading a coup and taking bribes.

Four businessmen, including Mr Kim Woo-chong, the founder and chairman of the large Daewoo conglomerate, were given jail terms for bribing the two ex-presidents. Mr Lee Kun-hee, the Samsung chairman, and several other business leaders received suspended jail terms for corruption.

The death sentence on Mr Chun Doo-hwan and the jail term for Mr Roh Tae-woo were imposed after they were convicted of leading an army coup that brought them to power, and accepting millions of dollars in corporate bribes while in office.

Few believe that Mr Chun will be executed because President Kim Young-sam is expected to reduce the sentences of the ex-presidents in a display of executive clemency if court appeals fail to do so. The prison sentences for Mr

Kim and the heads of three other business groups for giving bribes to Mr Chun and Mr Roh came as a surprise - the executives had been expected to receive lenient treatment because of their importance to the Korean economy. The Daewoo chairman faces two years' imprisonment, together with Mr Chung Tae-soo of the Hanbo steel and construction group and Mr Chang Jin-ho of the Jinro beverage group, if they lose expected appeals. Mr Choi Won-suk of the Dong-ah construction group received a 2 1/2-year prison sentence. The two former presidents, dressed in powder-blue prison uniforms, briefly squeezed each other's hand in support before the sentence was read by a panel of three Seoul district court judges that had convicted them. They remained composed after the verdict.

The current president, a former political dissident who ordered the arrest of Mr Chun and Mr Roh last autumn, said

Continued on Page 12  
Jail terms may harm Korean economy, Page 4

"I need a couple of raincoats cleaned overnight."



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NEWS: EUROPE

Inflation index poses problem for Emu

By Gillian Tott, Economics Correspondent

Efforts to harmonise inflation data for European monetary union are being threatened by a disagreement over what data to include in the index.

The problem means that European leaders may not have completely comparable data to enable them to judge which countries can join Emu.

European statisticians, who are battling to resolve the problem, insist that any discrepancies in the numbers should be relatively small.

But any divergence in the data could generate political controversy when the Emu members are decided - particularly if some countries miss the inflation criterion for monetary union by a small margin.

The problem has arisen because inflation is one of the criteria that will be used to measure whether countries qualify for Emu.

According to the Maastricht treaty, any country joining Emu in 1999 will need to have recorded an inflation rate in 1997 that is no more than 1.5 percentage points higher than the average of the best three performing EU countries.

To judge this, the European Commission will need inflation data that is measured in the same way in all countries.

However, the different EU countries currently use varying methodology to track prices - and include different items in their indices.

Eurostat, the statistical wing of the Commission, made one attempt to solve this problem earlier this year by publishing semi-harmonised data which excluded all controversial items.

And it originally hoped that it would produce a fully harmonised series next year.

Although it plans to publish a new series at the start of next year, this will still not be fully harmonised, because it will exclude items which remain controversial - such as housing costs, health and education.

Some statisticians hope that more comprehensive data may be available in later 1997. And considerable improvements in methodology have already been agreed.

But other observers fear that truly comparable data may not be available until well after 1997 - or beyond the decision point for Emu.

As one national statistician says: "There are still big problems which need to be resolved."

Another adds: "It is still a long way to go until the EU data will look as reliable as our national data."

Excluding housing costs from the data in particular can have a significant impact on inflation numbers.

The difficulty has arisen because EU countries have very different housing practices.

Some countries such as Germany have a large rented sector, and measure rental prices. But others, such as the UK and Ireland, measure house prices instead.

A similar problem stems from the treatment of public health and education costs, since some countries include them while others do not.

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Coffee and politics in Banja Luka

Edward Mortimer and Laura Silber on a Bosnian city's preparations for polls

Last September, when Croatia's victorious army was sweeping through north-western Bosnia, an exultant President Franjo Tudjman declared he would soon drink coffee in the Hotel Bosna in Banja Luka.



CAMPAGNING IN VLASKENICA: As elections near in Bosnia, ultra-nationalist candidate Vojislav Seselj, Serbian Radical party head, meets supporters in eastern Bosnia

In fact he bowed to international pressure and halted his advance just short of Bosnia's second city, which remains the largest in Serb hands and seems almost certain to become the capital of the Bosnian Serb entity, Republika Srpska.

The Hotel Bosna forms one side of Banja Luka's "Serbian Rulers' Square", between two nearly identical neo-baroque buildings glaring at each other across the open space: the university, which houses the office of Mrs Biljana Plavsic, acting president, and the town hall headquarters of her opponent in next month's presidential election, the popular mayor, Mr Predrag Radic.

On the hotel terrace, the Bosnian Serb elite takes its ease of an evening, but is not taking a break from politics. With internationally organised Bosnian elections set for September 14, government and opposition leaders can be seen moving from table to table, conferring with friends, wheeling and dealing with professors and war profiteers, chatting to journalists, or acknowledging the deferential greetings of supporters.

Secret police operatives keep watch on the scene, which includes a table permanently occupied by the leaders of the defunct "Serb republic of Krajina" in Croatia, which Mr Tudjman's army overran just over a year ago, driving out its nearly 200,000 Serb inhabitants. Many are now refugees in the Banja Luka area.

Conspicuous by his absence is Mr Radovan Karadzic, the Bosnian Serb leader who last month, under intense international pressure, stepped down in favour of Mrs Plavsic. Indicted war criminals are barred from office under the Dayton peace agreement.

That has not dented the confidence of his Serb Democratic Party (SDS), which most observers expect to win a comfortable majority of the Serb vote, as it did in Bosnia's last (and first) free election in 1990.

It is true that opposition posters, including those of Mr Radic, are more conspicuous than those of the SDS in Banja Luka. Indeed, posters of Mrs Plavsic herself are nowhere to be seen. But that reflects more arrogance than disarray in the ruling party.

"Yes, we'll have some," she says, "although personally I don't believe it's necessary." Mrs Plavsic, a former biology professor in Sarajevo, seems untroubled by her new role. "I didn't need to change anything in my politics," she scoffs at the "disinformation" in the world that Mr Karadzic invented: the policy of Republika Srpska.

"Those posters were created in 61 meetings of our national assembly during the war. I was part of that process and no one has the right to change those policies."

For her, that clearly means Bosnia will remain partitioned and - contrary to the Dayton agreement - none of its more than 2m displaced people will return to their homes. Mrs Plavsic insists not a single Serb wants to return to his home in the Moslem-Croat Federation "and they won't".

She agrees that under Dayton she "cannot forbid" Moslems from returning to their homes in Serb-controlled territory. "But I ask where we're going to put them when we have 500,000 [Serb] refugees who have left their centuries-old property and

are now living an entire family to one room."

Republika Srpska, she claims, has only 22 per cent of the housing in "former Bosnia-Herzegovina", and its obligation is to house Serb refugees, "not to accommodate Moslems".

Mrs Plavsic admits to occasional telephone conversations with Mr Karadzic, but stresses that he remains at home in Pale, the entity's present capital close to Sarajevo, while she has moved back to Banja Luka.

Money changers mark down Ukraine currency

By Matthew Kaminski in Kiev

The karbovanets, the Ukrainian currency, was yesterday marked down in street trading and exchange booths in the capital Kiev, a day after the government announced that a new currency, the hryvna, would replace it next week.

Ukraine's inter-bank currency auction was closed for the independence day holiday and the karbovanets, in light trading on the Moscow foreign exchange market, held steady at 177,200 against the dollar, but fell to 205,000 at some exchange kiosks in Kiev from 175,000 the previous day.

Most kiosks simply widened the buy/sell margins - the dollar cost 200,000 karbovanets at the Mekos store, in central Kiev, but only 185,000 karbovanets could be bought for a buck.

The fluctuation in the street rate reflects popular unease that the government might use the currency reform to confiscate karbovanets kept under beds - and out of tax collector's hands.

Ukraine's socialist party yesterday called on the government to impose a "different exchange coefficient" for amounts which "exceed commonly understood bounds of legally earned money".

Some commercial banks have discounted for a possible flight back to the dollar in the run-up to September 2, when the hryvna comes into circulation.

The central bank last night stepped up its public relations campaign. The hryvna simply knocks off five zeros off the karbovanets, it said, and any amount can be swapped during the two week exchange period. It urged citizens to shun the high dollar rates.

Mr Victor Pynzanyk, deputy prime minister, said Kiev would not confiscate savings. "We hope to never return to the time when serious economic decisions were built on to political games". Another official decried "agitation of the population" by communists or currency speculators.

Italian government set to rule on TV ownership

By David Lane in Rome

The Italian government is expected to announce measures today to deal with a ruling by the constitutional court that current Italian law allows too much concentration of ownership in television.

In December 1994 the court declared unconstitutional the section of the 1990 broadcasting legislation that allows a single operator to have 25 per cent of the total number of national channels - suggesting a 20 per cent ceiling.

This would affect Mediaset, the television part of Mr Silvio Berlusconi's Fininvest group, which has three of Italy's 12 national channels - Canale 5, Italia 1 and Retequattro - qualifying under the current ceiling but exceeding the court's proposed 20 per cent.

The three channels have a combined share of more than 40 per cent of the Italian audience. The court gave parliament until today to rectify the situation.

The then rightwing government led by Mr Berlusconi and the successor technocratic administration of Mr Lamberto Dini failed to find a solution.

The matter has not been brought before parliament, which is currently in recess for the summer break, and the task has now fallen to Mr Romano Prodi's centre-left government.

Mr Berlusconi's political role has ensured that television ownership has been a political issue. In a referendum last year, Italians voted against a proposal to reduce the number of channels owned by any company to one, to prevent films being interrupted by advertising and to prevent an advertising sales company working for more than two channels.

Parliament may take account of this favourable outcome for Mediaset when legislating, though the referendum's outcome has no effect on the constitutional court's ruling.

Boost for Polish mobile phone groups

By Christopher Bobinski in Warsaw

Two private mobile phone groups in Poland have received a boost in their long-running negotiations with the state-owned telecoms monopoly over fees for using its landlines.

Their hand in the negotiations has been strengthened because the country's civil rights ombudsman has taken very strong communications ministry to court in an anti-monopoly case.

The two GSM mobile phone operators - Polkomtel and Polska Telefonica Cyfrowa (PTC) - have been in a weak negotiating position against state-owned telekomunikacja Polska SA (TPSA).

This is because the operators' licences they got from the government in February obligate them to use TPSA to connect calls between their subscribers and fixed telephones, as well as calls between their mobile subscribers.

But now Professor Adam Zielenki, the civil rights ombudsman, is arguing in the name of Poland's consumers that TPSA's privileged market position contravenes the country's anti-monopoly laws.

The ombudsman has the backing of the Anti-Monopoly Commission headed by Mr Andrzej Sopotko, which is concerned at the strength of TPSA's position in domestic telecom services. Critics of TPSA fear its dominance could even grow as a result of the government's eagerness to increase its self-value once a start is made on privatising the enterprise.

But now Professor Adam Zielenki, the civil rights ombudsman, is arguing in the name of Poland's consumers that TPSA's privileged market position contravenes the country's anti-monopoly laws.

The Polkomtel mobile phone group is led by Air Touch of the US and Tele Danmark and includes a number of powerful Polish state-owned companies. The other group, PTC, is owned by US West and Deutsche Telekom of Germany as well as Elektrim, the listed Polish conglomerate.

The two GSM operators are planning to spend a total of \$2bn on their mobile networks by the end of the century and a third service is due to start this autumn. The interconnect fee is a key component of their cost structure. It will have to be fixed soon to enable prices to be announced. The main alternative network the mobile operators could use instead of TPSA are those owned by Polskie Sieci Energetyczne (PSE), the power grid company, which is part of the Polkomtel consortium, and the Polish railway's communications system.

Barricades ready over night flights

David Owen on a French town's anger at plans for a DHL distribution centre

With its garden gnomes and its quaint latticed houses, the eastern French town of Holtzheim does not seem the sort of place whose 2,000 citizens would take readily to the barricades.

But that is just what they are threatening to do over plans for DHL, the international courier group, to site a distribution centre at nearby Strasbourg airport.

"We won't put on balconies and start holding press conferences with kalashnikovs over our knees," says Mr Francis Sattelin, deputy mayor. "But people will become violent. It is a declaration of war. If we have to blockade the airport, we will do so - all day and all night if necessary."

DHL - which was 25 per cent ownership by Germany's Lufthansa and 25 per cent by Japan Air Lines - needs its aircraft to be able to land and take off at night. People close to the likely nocturnal flight paths fear they might never get a decent night's sleep. "In order to sleep tomorrow, let's wake up today," says the slogan on some of the objectors' posters.

DHL argues that its wide experience of night-flying - if that helps avoid heavily populated districts.

Its present plans call for four flights a night in the final quarter of the year, rising to "probably 13" in 1998-99. It says 350 jobs would be created in the first three to four years of operation and 1,100 in the first 10 years, most hired locally.

Even this relatively prosperous region, known for its beer and choucroute, can ill afford to turn jobs away at a time when the French national unemployment rate is at 12.5 per cent and the government is seemingly powerless to stop it rising.

Ms Martine Arnold, Strasbourg's planning and development director, points out that Alsace is "statistically the region with the lowest unemployment rate in France", but there are signs the country's economic problems are beginning to make themselves felt even here.

The number of business failures in Alsace in the first half of 1996, for example, was up 35 per cent from corresponding year-earlier levels. Ms Arnold says Strasbourg's development plans have focused in recent years on Europe - the European parliament and the Council of Europe are based there - and the research strength of the city's university, notably in life sciences, which has helped attract multinational pharmaceutical companies.

Some have doubts about how well DHL's arrival would square with the city's relatively new-found research master. Dr Nicolas Harsenschmidt, director of the university's centre of primatology, has warned that an expansion project of "national and European interest" could be "seriously compromised" by DHL's plans because of the risk of an unacceptable level of nocturnal noise.

Kurdish leaders face trial

Leaders of Hadeep, Turkey's only legal Kurdish political party, are to go on trial accused of "establishing an illegal armed organisation". Mr Murat Bozlak and 40 other Hadeep members will be tried in a state security court where rules of evidence are looser and sentences harsher than in conventional courts. No date has been set.

Prosecutors say Hadeep is a front organisation for the banned Kurdistan Workers' party (PKK), which is fighting a separatist war. The indictment is an embarrassment for Turkey's Islamist-led government, which is trying to promote dialogue with moderate Kurdish groups and end the fighting.

Hadeep took over 1m votes, mainly in the Kurdish south-east region, in December's elections, but failed to win a seat in parliament. John Barham, Ankara

Blow to Estonian president

Mr Lennart Meri, Estonia's incumbent president, fared poorly in yesterday's first round of presidential elections in parliament, increasing the chances that a "dark horse" candidate may emerge when the chamber reconvenes before the secret ballot, got only 45 votes, well short of the 68 needed for re-election. His challenger, Mr Arnold Ruutel, won 34 votes. The remaining 22 MPs abstained. Mr Meri and Mr Ruutel are expected to be renominated today, but another candidate may step forward. If no winner emerges today, the electoral college will be expanded to include 273 local government officials, among whom Mr Ruutel, leader of the nationalist Farmer's Assembly, enjoys more support. Matthew Kaminski, Kiev

Rühe puts figure on troop numbers

The German government has started to prepare public opinion to expect a continued presence of allied forces, including Germans, in former Yugoslavia after the mandate for the Nato-led force peace keeping force expires at the end of this year, Peter Norman writes from Bonn.

Breaking an informal understanding that western politicians should not give the issue prominence before next month's Bosnian elections and US elections in November, Mr Volker Rühe, German defence minister, said discussions among allies on a new mandate would begin at the end of September at a Nato defence ministers' meeting in the Norwegian city of Bergen.

Giving a first indication of possible troop strengths, Mr Rühe said the allied role in Bosnia next year could be handled by up to 20,000 well armed troops with strong air support. This compares with an Ior force of around 50,000 at present.

In an interview with the Bild am Sonntag newspaper, the minister said there were clear signs of cross party support in Germany for continued involvement by the German Bundeswehr, although with "markedly fewer soldiers" than at present. German has about 3,000 troops in Croatia and a further 300 Luftwaffe personnel in Italy to support German Tornado air missions over Bosnia.

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Britons held in Norway on suspicion of fraud

Two Britons were remanded in custody for two weeks yesterday by a court in Stavanger in Norway after being arrested over the weekend on suspicion of involvement in an alleged fraud against Statoil, the state-owned Norwegian oil company, writes Hugh Carnegie in Stockholm.

Police in Stavanger said a year-long investigation in which police in Britain co-operated closely had led to the arrest of a 51-year-old senior engineer at Statoil and the 41-year-old owner of Idavoll, a North Sea oil industry consultancy which has had a series of contracts with Statoil worth a total of Nkr80m (\$12.4m). Neither was named, in accordance with Norwegian legal procedure.

The owner of Idavoll, who has lived in Norway since the early 1980s, admitted to police he had made a series of payments to the Statoil engineer over the past four years totalling £30,000 in acknowledgement for the many employes hired to work for Statoil through Idavoll. He denied this had used any damage to Statoil, his lawyer said.

Mr Helle said the Idavoll owner inherited the arrangement to pay the Statoil engineer from his predecessor, who died in 1992. The Statoil engineer is suspected by police to have received in total about £70,000 into a bank account in Gernsey in the Channel Islands from Idavoll.

Statoil said it had contracts over the past eight years with Idavoll worth Nkr80m. It said in most cases Idavoll had acted as an agency supplying teams of engineers and workers for specific maintenance and other contracts or had helped supply individuals for specific tasks within Statoil.

Stavanger police said they had conducted searches of the suspects' houses and had seized a large amount of papers and data that were being analysed.

They said other individuals had been questioned by police in Britain, but declined to give further details.

They added that they had no grounds at present for any more arrests.

EUROPEAN NEWS DIGEST

Bonn setback for cuts plan

German government plans to cut spending and ease the burden of the welfare state suffered a setback yesterday, when the conciliation committee of the two houses of the Bonn parliament rejected key parts of the package.

The opposition secured a majority in the committee, which is made up of parliamentarians from the government-controlled Bundestag and from the Bundesrat, the second chamber, representing the states, in which Social Democrat-led governments have the upper hand.

It took less than an hour for the committee to throw out government plans to cut sick pay, raise the retirement age for women and relax protection against dismissal for employees of small businesses.

The vote, which was widely expected, does not mean the loss of the planned measures. They are expected to be supported by the Bundestag on Thursday as a preliminary to final acceptance on September 13, when the government will have to muster the votes of an absolute majority of MPs to ensure that they become law. Peter Norman, Bonn

Kurdish leaders face trial

Leaders of Hadeep, Turkey's only legal Kurdish political party, are to go on trial accused of "establishing an illegal armed organisation". Mr Murat Bozlak and 40 other Hadeep members will be tried in a state security court where rules of evidence are looser and sentences harsher than in conventional courts. No date has been set.

Prosecutors say Hadeep is a front organisation for the banned Kurdistan Workers' party (PKK), which is fighting a separatist war. The indictment is an embarrassment for Turkey's Islamist-led government, which is trying to promote dialogue with moderate Kurdish groups and end the fighting.

Hadeep took over 1m votes, mainly in the Kurdish south-east region, in December's elections, but failed to win a seat in parliament. John Barham, Ankara

سكيا من الامم

# Icons of the party's left wing are to be given podium time at Chicago convention Democrats eager to reflect diversity

By Patti Waldmeir in Chicago

The Democratic party will today adopt a platform which eschews many old Democratic policies, even though many delegates and podium speakers at its convention in Chicago are drawn from the liberal wing of the party.

A New York Times poll published yesterday shows that 43 per cent of delegates describe themselves as "very" or "somewhat" liberal, though only 16 per cent of voters nationwide describe themselves in those terms.

The Democrats, careful to reflect diversity both on the convention floor and at the podium, choose their delegates by a quota system, with 53 per cent women and 17 per cent black.

The Republican party, which held its convention earlier this month in San Diego, was criticised for showcasing "diverse" candidates at the podium but not on the floor, where only 3 per cent of delegates were black.

And where Republicans carefully screened their podium speakers to avoid



President Clinton addresses a crowd in Chillicothe, Ohio, on his way by rail to the Democratic convention in Chicago

extremists who might broaden

cast divisions within the party, the Democrats are planning to give podium time to some icons of the left, including Rev Jesse Jackson and Senator Edward Kennedy of Massachusetts.

Both of them ran unsuccessful presidential campaigns in the 1980s based on a defence

of the party's liberal traditions.

Mr Jackson, long known as a rebel within the party, disagrees vehemently with President Bill Clinton about the welfare reform bill he signed last week - as do many delegates in the hall.

But he has let it be known that he does not plan to fan

that discontent from the podium, when he speaks

later today. Like the Republicans in San Diego, he is intent on stressing the heterogeneous element of his party, rather than airing its divisions on national television.

But, ironically, total silence on the welfare issue

would probably please Mr Clinton even less than a

show of dissent. Contrasting his own agenda with that of the liberals has helped him thus far in the election campaign: to continue to run as a moderate, he may need to remind voters of the alternative.

Liberal speakers will prob-

ably claim the limelight early in the week, when Mr Jackson and Mrs Hillary Rodham Clinton - prominently associated with the party's liberal wing - will overshadow other more moderate speakers. But later in the week Vice-President Al Gore and the president himself, both moderates, will dominate.

Mr Clinton's aides say he will use the convention to begin repositioning the party for the new century. But there are few clues in the platform as to how that direction might differ from the president's current course.

The platform calls for "a smaller, more effective, more efficient, less bureaucratic government" and for a "moderate, achievable, common-sense agenda that will improve people's daily lives". It declares "the end of the era of big government" but also "a final rejection of the misguided call to leave our citizens to fend for themselves" - a sideswipe at the Republicans.

The platform focuses on domestic policy, and has little to add on the subject of foreign policy.

# Most people in west aware of the Internet

By Paul Taylor in New Orleans

Most westerners have heard of the Internet or the World Wide Web, even though many do not have the capability to use it, according to a survey of 18 countries conducted by the Belgium-based International Research Institute (Iris).

The survey, which was based on interviews with 15,835 adult consumers in 18 countries in Europe, North America, Mexico and Australia, shows that only a very small proportion of consumers in each country are able to access the Internet from their homes and only a small percentage of adults, mainly upper-income males aged under 55, have had hands-on experience with the Internet.

Within Europe, 91 per cent of consumers in Sweden have heard of the Internet or the World Wide Web, the graphics-based part of the Internet which is based on "pages" of information connected by "hot-links". Bottom of the league table come Spain and Cyprus, where consumer familiarity is 44 per cent and 39 per cent respectively.

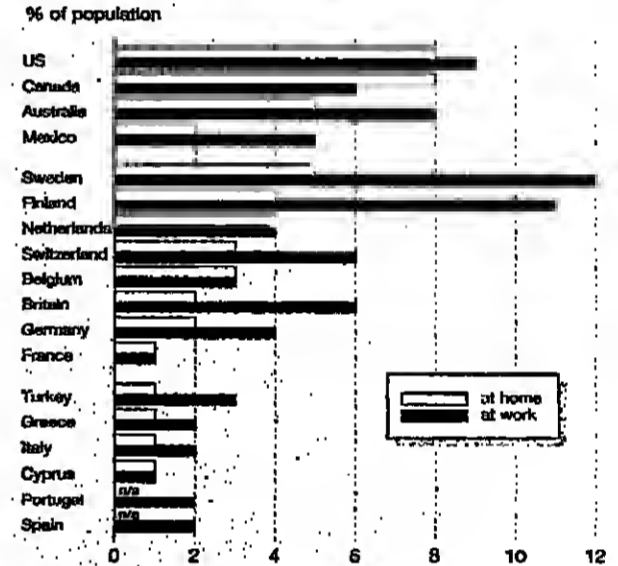
Among the survey's other findings: Personal computer penetration is highest in Australia (41 per cent), but although many countries have achieved a fairly high level of PC ownership, many households still do not have a modem - a communications device which enables a computer to exchange information over a standard telephone line.

In the US and Canada about a fifth of all households have a PC with a modem. Mr Jim Foush of Response Analysis in the US said: "The Internet is quickly becoming the communications medium of higher-income consumers in the US, which holds significant implications for how products and services that appeal to higher-income households are marketed and sold in the US market."

Across the globe, a strong relationship exists between Internet awareness and income levels. In the US, Canada and the Netherlands the proportion of high-income adults who use the Internet at the office is twice that of the general population.

Men are more likely to be accessing the Internet at home than women in most countries. This gender gap is biggest in Finland, where the ratio is 8.1, but non-existent in France and Turkey.

## Access to the Internet



# Conference to tackle child sex exploitation

By Greg McIvor in Stockholm

The first international congress to examine the issue of commercial sexual exploitation of children opens in Stockholm today against a background of continuing anguish and recrimination over a paedophile scandal exposed in Belgium last week.

Mr Erik Derycke, Belgium's foreign minister, is due to address the five-day conference, the importance of which has been underscored by the Belgian case, in which children were abducted and sexually abused and two were left

to starve to death. The case has precipitated a wave of public criticism against the Belgian police and social authorities, illustrating the mounting pressure on policy-makers to curb a problem which child protection agencies say is growing swiftly worldwide.

Swedish organisers yesterday said there had been a surge in applications to attend the congress in the wake of the affair.

About 60 governments are expected to be represented and will be joined by some 90 non-governmental organisations. Mr

Göran Parsson, Swedish prime minister, will open the event, which will focus on developing methods to combat child prostitution, child pornography, and the sale and trafficking of children for sexual purposes.

One of the conference's tasks will be to establish consensus on steps to tackle "sex tourism" in developing countries whereby paedophiles, mostly from industrialised nations, sexually abuse children while abroad.

Among the methods being canvassed are extradition of convicted offenders and tougher legal sanc-

tions, including seizure of paedophiles' assets. A joint declaration by participant nations will establish regional networks to tackle child sex abuse and improve implementation of the United Nations Convention of the Rights of the Child. Measures include improved transnational police co-ordination and greater victim support.

In Sweden, the run-up to the event has been overshadowed by public criticism of the country's lax pornography laws.

The country is one of the few European states where possessing

child pornography is legal, a loophole rooted in liberal freedom of expression laws attached to all published matter. Police and children's campaigners claim the exemption has resulted in Sweden becoming a European centre for child pornography.

Public pressure has led to parliamentary attempts to change the law, but efforts have so far foundered because they would require a constitutional change. That would mean ratification by two parliaments, and the earliest date for adoption of new legislation is January 1999.

# Sex tourists prey on Colombia's teenagers

The city of Cartagena, on Colombia's Caribbean coast, was repeatedly attacked over the centuries by the French and British. But now the city is being stormed by a different sort of foreigner.

Long a leading resort for holidaying Colombians and Europeans, Cartagena has turned into an important destination for sex tourists, attracted by sun, sea, cheap drugs and juvenile prostitutes.

At night the Bocagrande hotel strip is an open-air sex market place, with girls as young as 12 on offer and groups of Italian, Spanish, German, French and Canadian men hunching over hotel

"discoteques" where they choose adolescent girls with whom they spend the night.

Even the old walled city that resisted so many pirate attacks has fallen to red-light bars, noisy clubs and strip shows where teenage prostitutes wait for clients. Legitimate tourism, already suffering from Colombia's reputation for crime and violence, has been steadily replaced by aleeze travel.

Pressure groups such as End Child Prostitution in Asian Tourism (ECPAT) have publicised the conditions of hundreds of thousands of boys and girls in brothels in Thailand, the Philippines, Sri Lanka and

Taiwan, and have pushed through laws in most European nations for the prosecution of sex travel organisers.

Harder to tackle is the sexual use of children by local customers. This week the Bogotá-based non-governmental organisation Renacer is to complete an investigation commissioned by the Colombian government's Family Welfare Institute on juvenile prostitution in Cartagena.

Preliminary findings show the majority of the girls have come to the city from other parts of the country in the hope of making their fortunes from foreigners, but that there are also core groups of local children in

the sex trade and regular local clients.

"Colombian culture attaches little social stigma to paying for sex with children," says Ms Marta Cardenas, administrative director of the Renacer Foundation. "The number of under-age girls in prostitution is growing rapidly. Some go into it because they are very poor, high unemployment areas, but now there are also many children from higher status families. In Cartagena some report making 3m pesos (about \$2,800 a month), nearly double the average annual income."

As more local youngsters were drawn into the sex

business, the Cartagena authorities started to worry. The mayor sent police to raid child brothels and in July, for the first time, a brothel manager and customer were arrested. But no one knew what to do with the children.

Renacer, which has eight years' experience in Bogotá of therapy for children in prostitution, has been asked by the government to open a unit in Cartagena.

There are believed to be more than 21,000 under-age prostitutes in Colombia, with nearly 10,000 in Bogotá alone. Of those in Renacer homes, 15 per cent of the

girls and 60 per cent of the boys have tested positive for HIV/AIDS. Similar figures are reported from Brazil and Mexico.

A World Health Organisation paper prepared for the Stockholm congress warns: "... the sexual exploitation of children results in serious, often life-long, even life-threatening, consequences for the physical, psychological and social health and development of the child... The commercial sexual exploitation of children represents an erosion of human values and rights that threatens the health of society."

Timothy Ross

# Hollywood of Arab world lives in shadow of its past

In the heat of August only Gamel Abdel Nasser - the Egyptian leader who nationalised the Suez Canal - has the lure to induce nearly 2m Egyptians to sit quietly in front of a screen for 2 hours and 20 minutes.

The film "Nasser 56" is on target to break all box office records in the 70-year history of the Egyptian film industry. It tells the story of Nasser's decision to defy the western world by seizing control of the Suez Canal, allowing the audience to relive what many Egyptians see as the country's greatest moment in the 20th century.

"The film's success is a welcome relief to a film community that is fighting for its life. A once-thriving industry which produced more than 80 films a year and brought the actor Omar Sharif to international attention has faded to a pale shadow of its former self.

Mr Kamal Ganzouri, Egypt's prime minister, has acknowledged that the film industry is in crisis and, in collaboration with the film producers, a rescue plan is being put into place. "Cairo was, and still is, the Hollywood of the Arab world," says Mr Mohamed Shafiq, chairman of the Egyptian Chamber of Cinema. "Egypt not only supplies films to the 23 Arab countries, but to markets in Asia, America, Europe, and Africa." Ironically, the international appeal of Egyptian

films has contributed to the film industry's troubles. It is estimated that the industry loses E\$4bn (\$1.2bn) a year because of international piracy of its films.

The US, home to 5m people of Arab origin, and the Middle East, with more than 200m people, are said to be the two biggest copyright violators.

The advent of satellite TV and the mushrooming of

an uncultured *nouveau riche*... who had no respect for the strong cinema tradition." Egypt now has a desperate need for cinemas. It once had 450, but only 150 remain open to serve 80m people. Most are in poor condition with outdated equipment.

Cinemas have closed as a result of falling revenues, high taxes and a big rise in property values. There is a 22 per cent "cabaret" tax on tickets, and a 33 per cent tax on box office revenue. Cinemas must pay extremely high electricity rates, which can amount to E\$10,000 a month.

With fewer cinemas and rising production costs, film makers have been forced to raise production finance by selling off foreign distribution rights.

The distributors, mainly from the Gulf, started to dictate scripts' content to appeal to external tastes. This is said to have resulted in a decline in artistic standards and has put leading Egyptian film-makers out of work for refusing to compromise.

All these factors have combined to push up the average cinema ticket price from

about E\$3 to E\$10. This has made an E\$2 video rental, which can be shared by a whole apartment block, a more comfortable and realistic alternative for a night's entertainment.

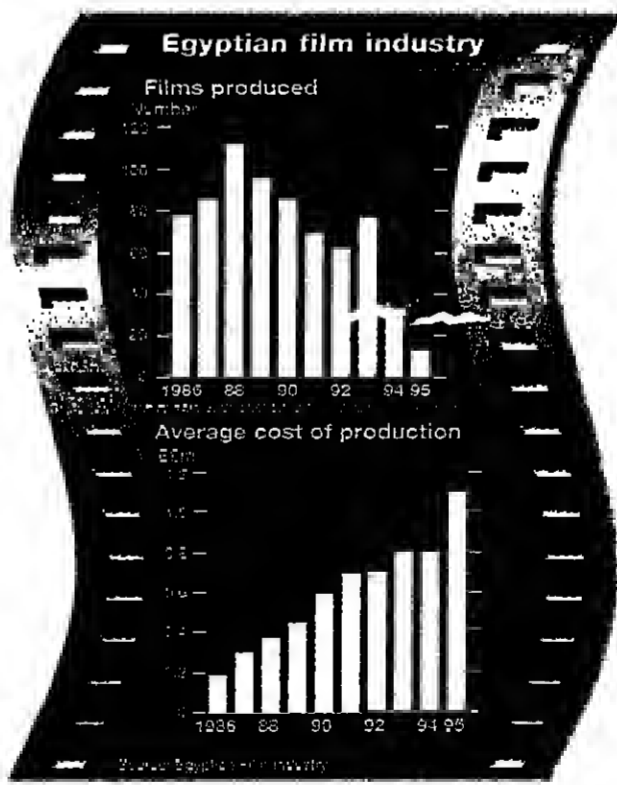
Mr Youssef Chahine, a leading Egyptian film-maker, believes that the industry could be revived "if taxes were cut, the bureaucrats sidelined and the industry properly liberalised". The 1996 Locarno International Film Festival commemorated the work of Mr Chahine, screening all 37 of his films - a first for an Arab director.

The Egyptian Chamber of Cinema has spearheaded a critical dialogue with the government to salvage the industry and return its control to Egyptian hands.

According to an official close to the negotiations, the government is set to agree to the chamber's three requests:

- Provision of government land at discount rates on which to build new cinemas.
- Suspension of all taxes related to the industry for a 10-year period, accompanied by a reduction in rates.
- Egyptian government support to protect the rights of Egyptian films outside Egypt.

In the wake of President Hosni Mubarak's recent visit to the US, where the copyright issue was discussed, the FBI has initiated an investigation into piracy of Egyptian intellectual property in the US. The Egyptian Chamber of



Cinema in partnership with two leading Egyptian banks, will launch a limited company later this year. This initiative will complement the expected government reforms.

With an initial investment of E\$500m, the Egyptian Cinema Company will build new cinemas, studios and labs, and will finance film productions.

Twenty per cent of the finance will come from the members of the chamber (directors, producers and writers), 30 per cent from the National Bank of Egypt and MERS National Bank, 30 per cent from individual strategic investors, and 20 per cent will be floated on the Cairo stock exchange.

The producers of "Nasser 56" have used their film to test the size of the potential film-going audience in Egypt.

The film was placed in more than 20 cinemas throughout the country, with ticket prices ranging from E\$1.5 to E\$18. They have repeatedly announced that it will not go to video for at least 18 months. The result: it has played to capacity houses since it opened and is grossing about E\$1m a week.

Despite all the current difficulties in the industry, Mr Fadel - the director of "Nasser 56" - says: "If you want to make a good film, there is now a new audience waiting at home".

## INTERNATIONAL NEWS DIGEST

# Israel to cut interest rate

Israel's central bank yesterday said it would cut by 0.5 of a percentage point, to 15.8 per cent, the interest rate it charges commercial banks from September. The move followed a rate cut of 0.7 of a percentage point earlier this month, to 16.3 per cent, after the interest rate peaked at 17 per cent in July.

The central bank said the pace of inflation was now lower than in the first half of the year. The rise of only 0.3 per cent in the consumer price index for July is in sharp contrast to the first half, when annualised inflation headed towards 14.5 per cent.

But the Bank of Israel said inflationary expectations for the next 12 months - at 11 per cent - remained higher than the government target, and the government budget deficit target of Shk7.6bn (\$2.4bn) for 1996 might be exceeded by more than Shk4bn. These conditions "require both budgetary restraint and a continuation of monetary restraint".

Meanwhile, the central bank repurchased Shk250m in government bonds as part of a plan to boost bond prices which have fallen sharply because of massive public redemptions from long-term savings funds known as provident funds. The move was the second of three planned interventions in the bond market for August, in which the bank will buy back a total of Shk750m in bonds. Avi Mochlis, Jerusalem

## Yemen defiant over island

Yemen yesterday said it was pulling out of French-led mediation efforts to resolve its dispute with Eritrea over a Red Sea island, and vowed to force a withdrawal of Eritrean troops there.

"There is a limit to our patience", Mr Ghaleb Ali Jamil, vice-foreign minister, said. "We have the right under Article 51 of the United Nations charter to use all means to defend ourselves and to defend our land." The article allows member states to defend themselves against armed attack.

Earlier this month Yemen threatened to take military action against Eritrea if mediation failed to defuse a crisis triggered by the dispatch of Eritrean troops to the disputed Lesser Hanish Island, near tanker routes at the Red Sea's southern entrance. Yemen said it sought a peaceful solution to the dispute. The two countries fought briefly last December and then agreed in May to French arbitration.

Mr Jamil praised France's attempt to push negotiations but said they could be resumed only after Eritrea withdrew its troops. Reuter, Paris

## Opposition to Savimbi post

Angola's Unita rebel group will join a coalition government but will not nominate its leader, Mr Jonas Savimbi, for the vice-president's post, Mr Marcial Daehala, the group's information secretary, was quoted as saying yesterday.

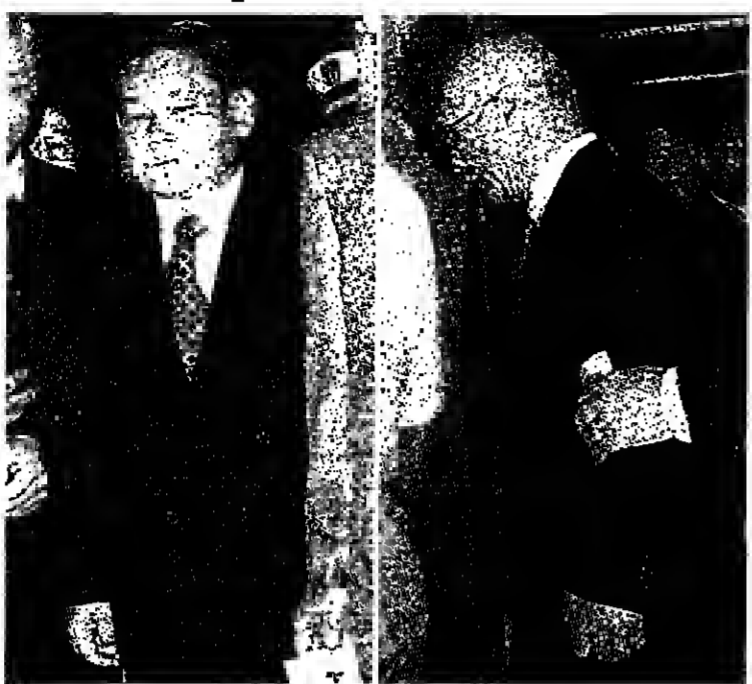
Mr Savimbi, who has said he does not want the job if it were mainly ceremonial, is expected to announce his final decision today. Several speakers at a Unita congress which finished yesterday spoke out against their leader's acceptance of the job, saying it would mean Mr Savimbi's political demise. A.P. Baibanda, Angola

NEWS: ASIA-PACIFIC

Jail terms may harm Korean economy

John Burton reports on the impact on investor confidence as some chaebol lose their heads

The death sentence handed out yesterday to former South Korean president Chun Doo-hwan and prison terms for his successor Roh Tae-woo and several business leaders may have helped cleaned one of South Korea's darkest chapters. But the price could be increased uncertainty for an economy that is already faltering.



Lee Kun-hee, chairman of Samsung (left), and Mr Kim Woo-choong of Daewoo enter court in Seoul yesterday before sentencing

The biggest worry expressed by equity analysts is that the unexpectedly tough prison terms for bribery meted out to Mr Kim Woo-choong, founder and chairman of Daewoo, and three other conglomerate chiefs could undermine investor confidence.

The fear is that the court's decision could presage new clashes between the government and conglomerates, when they need to co-operate instead to boost economic growth," said Mr Andrew Holland, head of research at BZW Securities in Seoul.

Hyundai, after he was convicted of illegal spending for his unsuccessful presidential campaign in 1992.

There is already talk that the Daewoo founder will go into exile in eastern Europe to oversee the group's car production expansion in the region. However, the removal of Mr Kim from the helm could hurt the group's ambitious \$10bn overseas expansion programme since Daewoo is widely considered to be one-man operation centred on Mr Kim.

Mr Kim has personally negotiated most of the group's overseas projects. His conviction and loss of status could make it harder for Daewoo to attract the foreign funds needed to finance global expansion.

Institutional investors overseas have already expressed concerns about Daewoo's high gearing ratio of 300 per cent, with some suggesting that a capital shortage affecting Korea's fourth largest group could result in a financial crisis for the country. Worries have also focused on the financial soundness of the Hanbo steel and construction group, whose chairman also received a jail sentence yesterday.

Japan spending requests up 8%

General account spending requests from Japanese government departments for the fiscal year beginning next April totalled ¥81,400bn (\$750bn), finance ministry officials said yesterday - 8 per cent higher than the current year's initial planned spending total.

The bulk of the increase is the result of a sharp rise in debt servicing costs and tax grants to local authorities. The recession of the early 1990s has forced the government to increase borrowing in the face of rising government debt and falling tax revenues. This demand for public spending and falling tax revenues, year after year, the central government was forced to raise about ¥28,000bn through the issue of deficit-financing bonds.

Mitsubishi in China venture

Mitsubishi Motors (MMC), a leading Japanese vehicle maker, has agreed two joint ventures to produce vehicle engines in China.

Ramos wants port deal reviewed

President Fidel Ramos yesterday called for a review of last week's decision to award the privatisation of Subic Bay port to Hong Kong-based Hutchison Whampoa in a move which is likely to result in formal re-bidding.

fastest growing special economic zone, disqualifies ICTSI from the 25-year contract on the grounds that it already owned the country's largest port in Manila. Port officials cited a government competition circular which stated that one operator could not own more than 20 per cent of a rival port.

HK group to promote rights

A group of Hong Kong law makers yesterday launched a political grouping aimed at defending democracy and human rights as the territory prepares for the handover to China on July 1 next year.

The Frontier, which includes Ms Emily Lau, a prominent legislator, a group of students, trade unionists and teachers rather than a formal party. It calls for universal suffrage for the head of the post-1997 administration and opposes China's plans to replace the existing legislature.

Stop missile sale, urges China

China yesterday demanded that the US halt sales of Stinger missiles to Taiwan, as an 80-strong delegation of Taiwanese industrialists prepared to visit Beijing to boost trade and economic ties.

Mindanao Christians and Moslems give peace a chance

zone will be based - said local Christians had nothing to fear from the pact with the Moslems. Memories of the war, which has claimed over 100,000 lives since 1972, have, however, left a more hostile imprint among many of the mayor's fellow Christians.

nitous gun stores have reported a doubling of arms sales since an "interim" deal was signed in June, Mayor Duterte's words cannot be written off as standard political platitudes.

Sri Lanka raises bread prices

Sri Lanka yesterday announced a sharp increase in bread prices, the third rise in five months, as attempts to soften the blow for state employees with a pay rise.

Indian army rescues pilgrims

Indian army helicopters helped rescue 2,000 pilgrims from the Himalayan foothills at the weekend as tens of thousands of pilgrims climbing to a holy cave ran into below-freezing temperatures and severe wind and rain.

Release of tankan survey of business confidence brought forward

When the Bank of Japan announced last month its intentions of bringing forward the release of its August tankan - the quarterly survey of business confidence - Tokyo's financial markets were divided over how to interpret its move.

leaked before the official announcement. In the past, the Bank of Japan had taken about three weeks to put together the tankan, an abbreviation of Japanese for the short-term economy survey of enterprises, which is regarded as influential in monetary policy.

Tokyo awaits business data

There is a sense that the bank has started to become more aware of the importance of the financial markets' response," says Mr Yasushi Okuda, economist at brokers BZW.

INTERNATIONAL ECONOMIC INDICATORS: MONEY AND FINANCE

Table with columns for countries (USA, Japan, Germany, France, Italy, UK) and rows for various economic indicators like M1, M2, M3, etc. for different years and quarters.

Vertical advertisement on the right edge of the page, partially obscured and containing some illegible text.

صوتنا من الراحل

# Regulator considers action on \$12bn held in support of US underwriting Lloyd's assets 'could be frozen'

By Richard Waters in New York and Ralph Atkins in London

New York state's insurance regulator said yesterday it was poised to take action, if necessary, to freeze Lloyd's of London's assets in the US, adding to pressure on the insurance market as it battles to complete a \$3.2bn (\$4.96bn) financial restructuring this week.

The warning came as Lloyd's today appeals against a damaging ruling by a US federal court in Virginia on Friday. Lloyd's is trying to overturn an injunction which put the market's

recovery plans on ice in the US, potentially placing the plan - and Lloyd's survival - into jeopardy.

A spokesman for New York state's insurance commissioner, Mr Edward Muhl, said yesterday that the regulators had not taken any action which would affect the \$12bn held in Lloyd's trust funds at Citibank in New York to support US underwriting.

However, the spokesman said the commission's lawyers were weighing up whether any action was necessary following last week's injunction.

A deadline of noon tomorrow has been set for loss-making and litigating Names - individuals whose assets have traditionally supported Lloyd's - to accept the \$3.2bn out-of-court settlement offer proposed by Lloyd's. Outstanding US liabilities would also be transferred into a new reinsurance company, Equitas.

New York state, which has primary responsibility for the US trust funds, must decide by September 1 whether or not to allow the money to be used to back Lloyd's recovery plan.

However, Judge Robert Payne in Richmond, Virginia, told Lloyd's that it should comply with US securities laws, give more information about the plan to US Names by September 23, and allow US Names until the end of October to decide whether or not to accept the scheme.

"We haven't reached a decision yet - we're trying basically to understand what this means in terms of the Equitas project," the spokesman said. Whether New York would allow the trust funds to be transferred to Equitas "will depend on the DTI, and any decisions of courts here", the spokesman said.

Lloyd's ruling council meets on Thursday and could declare the \$3.2bn offer "unconditional" shortly thereafter. There is no set level of acceptances required. Instead Lloyd's needs to be sure if enough litigating Names have accepted and that there are sufficient funds for Equitas. But if Lloyd's fails to win today's appeal it might have to make hurried provision to exclude US Names, perhaps borrowing to cover their liabilities. In the longer term, Judge Payne's insistence on Lloyd's complying with US securities laws could result in Lloyd's excluding US Names from underwriting.

## Treasury may turn to home comforts

By Simon London, Property Correspondent

A substantial part of the Treasury headquarters in central London could be turned into luxury flats under proposals being considered by the government.

Two consortia vying for the right to refurbish the building have each suggested that converting the space gained in the rear portion into flats would provide the best value for money for the public sector.

The \$200m (\$310m) project is regarded by Mr Kenneth Clarke, the chancellor of the exchequer, as a flagship of the government's private finance initiative, which aims to bring private capital into public sector projects.

The rival consortia are led by Mr Stuart Lipton and Mr Godfrey Bradman, former development partners and two of the most high-profile figures of the 1980s property boom.

Mr Lipton's consortium - which includes Bovis, the construction company, Hambros merchant bank and Sir Norman Foster, the architect - has emerged as favourite to win the contract.

The proposals come against the background of rising residential property values in central London, driven by an influx of investment from overseas - particularly from Hong Kong, Singapore and Malaysia - and subdued demand for office space.

A number of other former office blocks have recently been converted into flats, including parts of County Hall on the south bank of the Thames opposite the Houses of Parliament.

The Treasury is expected to make a decision on the proposals over the next two to three weeks.

Both consortia have proposed alternative all-office solutions in case the government decides that flats would pose an unacceptable security risk.

### UK NEWS DIGEST

## Biotech options to be increased

UK biotechnology companies are preparing to offer millions of pounds worth of extra share options to new recruits following a change of heart by the Association of British Insurers. The ABI, which represents many of the investors in the sector, has agreed that biotech companies can in principle breach its guidelines on how many options can be awarded to executives.

Biotech companies have complained that they need to offer more money to recruit high fliers from international pharmaceutical companies, but do not have the cash until their products are launched. The ABI said that other companies that could show a similar need might also be exempted.

First fruits of the changes are in proposals to be put to the annual meeting of British Biotech, the biggest UK company in the sector, on September 18.

The company proposes to scrap its existing executive share options scheme and replace it with one that effectively has no ceiling on the share options that can be offered to new recruits.

Mr James Noble, British Biotech's finance director, said that it was quite possible for new recruits at the top level to be offered more than £1m (£1.55m) in share options as an inducement to join the company.

The ABI guidelines limit the value of options held by an executive to four times salary. They also cap the amount of options on offer to 5 per cent of a company's issued shares.

Daniel Green  
Lex, Page 12

### CONSTRUCTION EQUIPMENT Sales set for '5.2% fall'

Sales of construction equipment in Britain are due to fall more quickly next year than in other west European countries, despite strong growth since the early 1990s recession, according to Off-Highway Research, a London consultancy.

The projected drop of 5.3 per cent in unit terms is linked particularly to the slow-down in road building. Sales of construction equipment in the UK are estimated at about £1.7bn (\$2.63bn) a year, including spares. Total output, including exports, by UK-based construction machinery companies is valued at about £2.5bn a year at retail prices.

According to Off-Highway Research, sales of construction equipment next year across western Europe should come to 92,966 units, barely changed on the 93,369 in 1995. The market in France is expected to decline 4.6 per cent in units in 1997, the biggest slide after Britain. Spain is forecast to see an increase in sales of 13.7 per cent, Italy a 1 per cent rise while the market in Germany is expected to be flat.

Peter Marsh

### CASH MACHINES

#### Single national network likely

British bank customers could soon be able to use their plastic cards to withdraw money from any of the UK's 22,000 cash machines. Many of the country's biggest banks believe the present system, allowing customers to use only those cash machines belonging to banks with which their bank has a reciprocal arrangement, is breaking down. The facility already exists in countries such as France and Austria.

George Graham

## Share trading flickers on to a new screen

The London Stock Exchange has high hopes for Sequence

Something different will appear on the desk screens of many share brokers and dealers this morning: Sequence, the London Stock Exchange's enhanced share trading platform, has reached the market in fully-fledged form.

However, today's change is small compared with what is yet to come. The platform is designed to be flexible and powerful enough to allow entirely new methods of trading in the future.

Sequence also represents something unique in the exchange's recent history - an information technology project delivered on time, and under budget. It contrasts sharply with the fiasco of the failed Taurus share settlement system.

This is a relief for Ms Christine Dann, the exchange's director of business operations, whose other main task in the past few months has been to prepare

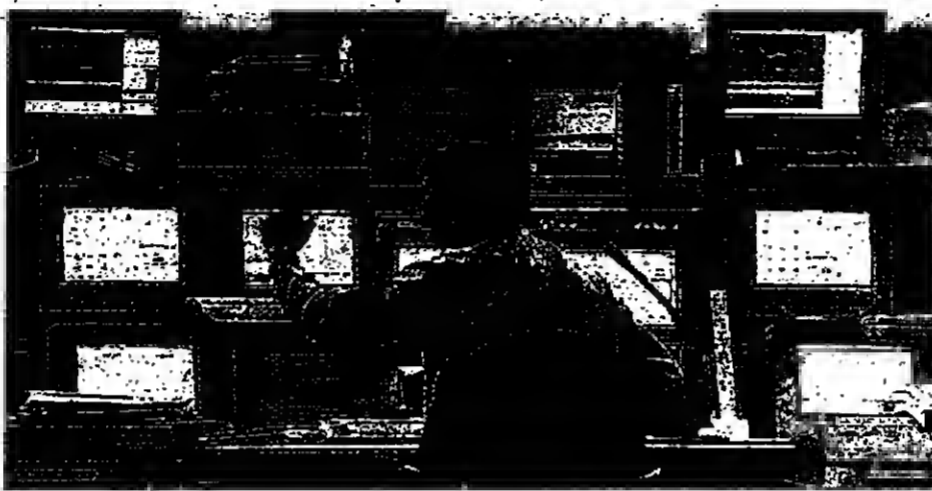
for handing over share settlement to the Crest system.

"Over the period of Sequence, we have reduced our costs and improved our service at the same time as introducing a number of new applications," said Ms Dann.

Today's change will mean that "trade reporting" of deals - under which member firms have to report deals within set times, to the exchange - will be carried out through screens rather than over the telephone.

Sequence will introduce more radical change in the Alternative Investment Market for smaller companies, and in the Stock Exchange Alternative Trading Service for illiquid stocks, where actual methods of trading shares will be affected.

Although member firms will still be able to deal over the telephone through marketmakers in AIm and Seats shares, the implementation of Sequence will allow the



Networking: Sequence will herald a new era in information technology for equity dealers

trading of shares by fully automated means for the first time.

Members will be able to place orders on screens without having to telephone the exchange. They will also be able to execute a trade by pointing at a bid or offer on the screen with a computer mouse and clicking on it.

These changes are a taste of what is likely to come from next year when the exchange brings in broad trading reforms for large company shares. It will introduce an order-driven trading system for such shares for the first time.

The Sequence system is a broad enough platform to allow such changes fairly

simply. By introducing a fresh software application, the exchange will be able to allow automated trading in a range of domestic shares.

The exchange has worked with Andersen Consulting to introduce the technology platform and the programme has cost £21m (£25m), compared with the budgeted cost of about £9m.

The exchange has also lessened costs by reducing staff and eliminating the inefficiency of its former trading platform - the exchange relied on about 80 software programmes from half a dozen suppliers.

It has also reduced its annual technology spending from £55m to £35m which

has largely paid for developing Sequence.

Both Reuters and ICV have developed workstations to bring Sequence to smaller firms. The ICV terminals, known as Topic 3 Trader, will be the most visible evidence of the change in the 110 firms where they have been installed. ICV has spent about £1m on development.

The upshot is that although Sequence 6 - as the final stage in the implementation is known - will not be an earth-shattering change today, the exchange regards it as a vital step towards regaining credibility in the market.

John Gapper

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TECHNOLOGY

**M**otorists who commit parking offences in the City of London could find themselves being issued with an unusual type of traffic ticket. Instead of using a notebook and pen to write out a form, some police officers are now using a pen-based computer to produce an electronically generated traffic ticket. Back at the station, data from the pen computer can be transferred to the police computer database.

This is just one example of how pen-based computers are being used today. The retail, distribution, transportation, insurance, financial services, manufacturing and mobile field service sectors are also using them. But at one stage, pen-based technology was in danger of being discarded.

When the first pen-based computers arrived in the late 1980s, many thought they would replace the keyboards and mice used to operate most computers. Supporters of pen computers talked of "the pen being mightier than the keyboard".

But the reality proved different: "Pen computing caught everyone's imagination," says Howard Scarbrough, marketing program manager for Toshiba UK, "but there was a mismatch between what the technology could deliver and what customers expected in terms of cost and functionality."

Companies that have launched pen-based devices include Amstrad, Casio, IBM, Sharp, Symbol, Norand, Hewlett-Packard and Fujitsu. Microsoft has also developed an extension to its Windows operating system for pen-based computing.

But some, such as Toshiba, have pulled out of pen-computing in western markets because of disappointing sales. Many admit that the aim to replace the keyboard with computers which could recognise handwriting was too ambitious.

Handwriting recognition software is difficult to develop and requires a great deal of processing power. Most current systems offer an accuracy rate of only 50-60 per cent.

"The pen computer market was moving along nicely until companies started pushing handwriting recognition," says Ken Dulanel, vice-president of mobile computing at the Gartner Group. "That move set the market back years." Handwriting recognition software was often slow, clumsy and frustrating to use. The result was that many pen-based computers were consigned to desk drawers and then forgotten.

But now, pen-based computer companies have repositioned

After a slow start, pen-based computers are finding a useful role in many areas, explains George Cole

# Rewritten for a happier ending



Some pen-based computers are small enough to fit into a shirt pocket, while others are the size of an A4 pad

their products: "Pen computers were initially aimed at horizontal markets (for general use and many applications) and tried to be all things to all people," says Diana Hwang, senior industry analyst at market researchers IDC, "but it's in the vertical [specific application] markets where pen computers have come into their own."

Apple Computer's pen-based device, the Newton MessagePad, was launched in 1993, but sales were poor until the company began targeting users such as corporate executives, sales staff and consultants, who perform much of their work away from the office.

"Apple didn't understand the market," says Dulanel, "if they'd gone for vertical markets from day one, they could have sold the Newton at twice the price and enjoyed far healthier sales."

There are many types of pen-based computers. Some are small enough to fit into a shirt pocket, while others are the size of an A4 pad. Their weight varies from about 600g to more than 1kg.

Most cost anything from \$450 (£290) to \$3,000. But all share the same basic technology, namely a flat screen that is covered with a pressure-sensitive membrane. Smart software and a powerful processor convert any screen contact into computer commands. The pen may be an electronic device or a simple plastic stylus, which is used for pointing

to on-screen icons or menus. Some pen computers can even be operated with a finger. IDC defines two main groups of pen-based computers:

● The first includes hand-held companions, such as PDAs (personal digital assistants), and personal companions, such as US Robotics' Pilot. PDAs offer a variety of computer and communica-

tion facilities, such as fax, e-mail, Internet, personal organiser, calendar and address book. Personal companions allow users to download files and data from their desktop PC and carry them around in a small portable device. Data can also be entered out in the field and later transferred to office computer.

● The second refers to vertical application devices, which include pen tablets and pen notepads. These are purpose-built for specific sectors and are often more rugged than PDAs. Some also have improved screen technology which works over a wide range of temperatures.

A growing number of vertical application devices have facilities for sending or receiving data via a telephone modem or wireless mobile data system. Some can even communicate with portable printers using infra-red technology, allowing users to produce hard copy documents in the field, for example, receipts or invoices.

IDC forecasts that the US market for PDAs and personal companions will rise from 208,000

units in 1995 to 1.4m units in 2000. In the same period, sales of pen tablets and pen notepads are expected to rise from 67,000 units to 119,000 units.

"The market for pen-based computers in vertical markets is growing," says Hwang, "but to put it into perspective, sales of keypad devices in the same markets will be around 358,000 units this year, and 552,000 units in four years' time. So pen-based computers are definitely niche products."

In Japan, pen computers are popular, largely because of the vast number of Japanese characters makes keyboards difficult to use. Sharp has sold more than 900,000 units of its Zaurus PDA in Japan, since it was launched in October 1993. Sharp expects to sell around 870,000 units this fiscal year. Other companies marketing pen computers in Japan include Casio, Hitachi, NEC, Toshiba and Mitsubishi. Sales staff, police officers, manufacturers and nurses are just some of the groups using pen computers in Japan.

Reg Koster, business development manager for Norand International, says that pen computers offer a number of advantages: "They are ideal for workers who have to enter or collect data in the field, and require little in the way of training. Some pen computers can be linked to numeric keypads for fast data input. But you're not looking for heavy text input with these devices."

The City of London motorcycle police officers are using Norand's PenKey to issue parking tickets. PepsiCo and Coca-Cola have also entered the market with PenKey computers for route accounting. Truck drivers will use the pen computers to record details of their deliveries.

Some warehouse staff are using pen computers as electronic clipboards for stock taking. Sales staff of the California company FD Tius use pen computers for medical product ordering. Clients are shown the products on the computer screen and their orders are entered by computer pen and sent back to head office for instant processing.

In Minneapolis, repair technicians of the cable TV company Paragon use pen computers to order spare parts and record work details. The technicians also use the computer to show customers the company's latest promotional offers and to record any new subscriptions.

Little wonder that Tony Palmer, European operations director of marketing at Norand International, believes that pen-based computers have become highly effective tools for speeding up business-specific processes.

# Madness of too many methods

Geoff Naim on a European standard for procuring software

**T**he European Commission's zeal for standardisation has reached the software industry with the release this month of EuroMethod, a pan-European standard for procuring computer systems, which the EC hopes will improve competitiveness in Europe's fragmented software market.

EuroMethod started in 1989 as an attempt to overcome the problems caused by the incompatible "methods" used in different European countries. A method defines the procedural and technical standards to be used in developing an information system. It provides a framework for developing and managing large complex information systems, thus reducing the risks.

Methods are not foolproof, as the London Stock Exchange found out with Taurus, a paperless settlement system which was plagued with delays and finally abandoned in 1993 at a cost of more than £50m.

Taurus was supposedly developed using the Structured Systems Analysis and Design Method, but many SSADM guidelines were not followed, according to the auditors' report on Taurus.

Used properly, methods can reduce misunderstandings between contractor and customer by explicitly defining responsibilities and setting milestones. SSADM was originally developed as a standard for public sector projects in the UK, although it is now also used in the private sector.

Similarly, Italy's state-owned computer services company Finisiel developed Dafne, which became a standard for Italian public sector contracts. France, Germany, the Netherlands and Spain also have their own methods.

Each one is often widely used in that particular country but unheard of elsewhere. This creates a formidable barrier to companies that want to bid for work outside their domestic market. It also hampers

co-operation in the EU-wide projects which the EC is promoting to increase competitiveness in information technology.

The main problem is understanding the precise meaning of concepts and terminologies used in the different methods. For example, is the "preliminary study" of one method equivalent to the "requirements analysis" of another?

Also, the vocabularies used are typically derived from software engineering and can be difficult to understand by non-specialists.

EuroMethod aims to overcome these hurdles - not by replacing the national methods but by creating a common procurement language to harmonise them. It acts as a sort of Esperanto for computer contracts whose terms and concepts can be understood correctly using any of Europe's six most popular development methods, thanks to a series of dictionaries.

"A lot of people have misunderstood EuroMethod. It is not a new software development method, but a way of managing procurement by allowing calls for tender to be expressed in a way that is totally independent of method," says Marcel Franckson, EuroMethod project director. Contractors will continue to use their preferred method for the nuts-and-bolts development work.

EuroMethod was developed by a consortium of 10 European companies and trials were carried out in 1995 in 10 sites. The feedback from these trials was used to improve the method. For example, the unwieldy 700 pages of original documentation has been cut to 200, while the method now covers the specification of "help desk" and other support services essential to today's complex IT projects.

The EC officially accepted the improved version of EuroMethod this month and the challenge now is to promote the standard more widely.

## CONFERENCES & EXHIBITIONS

<p><b>SEPTEMBER 10/11</b> <b>Introduction to Capital Markets</b> Training course covering Bonds, Equities and introducing their derivative markets (Futures and Options). A practical course with case studies, investment pricing and risk identification exercises - intended for junior securities personnel, trainee dealers, systems development and other support staff. GBP 495 + VAT. Lywood David International Ltd. Tel: UK 44 (0) 1959 565321 Fax: UK 44 (0) 1959 565321 training@lywood-david.co.uk LONDON</p>	<p><b>SEPTEMBER 24/25</b> <b>Understanding Treasury Derivatives</b> Training course covering risks in treasury markets and how derivatives can be used. Currency Options, SAFES, FRAs, Futures contracts, swaps and related products. For Corporate Treasurers, bank dealers and marketing executives, financial controllers, systems and support personnel plus candidates for the ACI Diploma. £530 + VAT. Lywood David International Ltd. Tel: UK 44 (0) 1959 565321 Fax: UK 44 (0) 1959 565321 training@lywood-david.co.uk LONDON</p>	<p><b>OCTOBER 21-22</b> <b>Utility Week - 17th US Energy Congress</b> The IT in Utilities '96 Congress and Exhibition is the second forum of its kind for senior managers in the electricity, gas, telecom and water industries to meet and discuss effective IT strategies for European utilities. A comprehensive programme of conference presentations and specialised workshops will be augmented by an exhibition. Conference enquiries: Alex Daniel, 1st Conference: 0171 404 7722. Exhibition enquiries: Ruth Eppley, Utility Week: 0181 652 3577 LONDON</p>	<p><b>OCTOBER 1-2</b> <b>Investing in Russia: New Horizons</b> Two day conference designed to acquaint western investors with the perils and profits of the investment boom with regard to small and medium businesses in Russia. Topics: Capital venture markets; operation programmes; key speakers from the Russian Government and the Ministry of the Economy, EBRD, MFC, PricewaterhouseCoopers, H&amp;L, Sella, etc. Assistance with travel arrangements and introductions for one-to-one meetings available. Call Amelia Rowan, RCI Ltd. Tel: 0171 575 5077 Fax: 0171 575 5057 MOSCOW</p>
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Presenting California Company Application:  
Jennifer Stanley, California Trade and Commerce Agency  
Tel: 916 322 5668. Fax: 916 322 3401 or 916 324 5791  
or send an e-mail to: [invest@cal-trade.gov](mailto:invest@cal-trade.gov)

Delegate Registration/Information:  
Lindy Bird, Cadogan International, London  
Tel: +44 171 336 8710, Fax: +44 171 336 8703

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Yes  please send me information about the export and investment services of the California Trade and Commerce Agency.

Details of speakers and participating companies will be available on the Financial Times web-site on: <http://www.ft.com> from the end of August.

The Financial Times plans to publish a survey on

# Mexico

on Monday, September 23

The survey will look at the country's economy, politics, financial markets, foreign policy and more. For more information on advertising opportunities in this survey, please contact: Michael Geach in New York: Tel: (212) 688-6900 Fax: (212) 688-8220 or Juan Martinez Dugay in Mexico: Tel: (525) 395-8888 Fax: (525) 395-4985 or your usual Financial Times representative.

صبيحة من الامل



COMPANIES AND FINANCE: INTERNATIONAL



**Golden Hope Plantations Berhad**  
(Incorporated in Malaysia)

**Notice of Meeting**

NOTICE IS HEREBY GIVEN that the Twentieth Annual General Meeting of the Company will be held at the Pacific Ballroom, Pan Pacific Hotel, Jalan Putra, 50746 Kuala Lumpur, Malaysia, on Wednesday, 18th September, 1996, at 11.30 a.m. for the following purposes:-

- ORDINARY BUSINESS**
- To receive and adopt the Report of the Directors, the Audited Accounts for the year ended 30th June, 1996, and the Report of the Auditors thereon. *Ordinary Resolution 1*
  - To declare a final dividend for the financial year ended 30th June, 1996. *Ordinary Resolution 2*
  - To approve the Directors' fees for the financial year ended 30th June, 1996. *Ordinary Resolution 3*
  - To re-elect the following Directors pursuant to the Company's Articles of Association:
    - (i) Encik Zain Azahari bin Zainal Abidin *Ordinary Resolution 4*
    - (ii) Dr. Ng Chong Kin *Ordinary Resolution 5*
    - (iii) Encik Abd. Wahab bin Maskan *Ordinary Resolution 6*
  - To consider and, if thought fit, pass the following resolution as a resolution pursuant to Section 129(6) of the Companies Act, 1965: *Ordinary Resolution 7*  
"That pursuant to Section 129(6) of the Companies Act, 1965, Tun Ismail bin Mohamed Ali be re-appointed Director of the Company to hold office until the conclusion of the next Annual General Meeting."
  - To consider and, if thought fit, pass the following resolution as a resolution pursuant to Section 129(6) of the Companies Act, 1965: *Ordinary Resolution 8*  
"That pursuant to Section 129(6) of the Companies Act, 1965, Encik Howe Yoon Chong be re-appointed Director of the Company to hold office until the conclusion of the next Annual General Meeting."
  - To re-appoint Messrs. Ernst & Young as the Company's auditors and to authorize the Directors to fix their remuneration. *Ordinary Resolution 9*
  - To transact any other ordinary business of the Company of which due notice has been received.

**Closure of Books:**  
NOTICE IS ALSO HEREBY GIVEN that the Transfer Books of the Company will be closed at 5.00 p.m. on 29th October, 1996 for the entitlement of dividend and will remain closed for the preparation of dividend warrants until 5.00 p.m. on 1st November, 1996. The dividend, if approved, will be paid on 4th November, 1996 to shareholders whose duly completed transfers are received by the Company's Registrar, Golden Hope Plantations Berhad, 14th Floor, Menara PNB, No. 201-A, Jalan Tun Razak, 50400 Kuala Lumpur at the close of business at 5.00 p.m. on 29th October, 1996.

**FURTHER NOTICE IS HEREBY GIVEN** that the Malaysian Central Depository Sdn. Bhd. shall not be accepting any request for deposit and/or withdrawal of shares commencing 12.31 p.m. on 25th October, 1996 until 12.30 p.m. on 29th October, 1996. A Depositor shall qualify for entitlement to the dividend only in respect of:

- Shares deposited into the Depositor's Securities Account on or before 12.30 p.m. on 25th October, 1996.
- Shares not withdrawn from the Depositor's Securities Account as at 12.30 p.m. on 25th October, 1996.
- Shares transferred to the Depositor's Securities Account on or before 12.30 p.m. on 29th October, 1996.
- Shares bought on the Kuala Lumpur Stock Exchange on or before 22nd October, 1996.

By Order of the Board  
**NORLIN BINTI ABDUL SAMAD**  
Secretary  
Kuala Lumpur  
27th August, 1996

**Notes:**  
A member of the Company entitled to attend and vote at the above meeting may appoint one or more proxies but not exceeding two, to attend and vote in his stead. Where a member appoints two proxies, the appointment shall be invalid unless he specifies the proportion of his holdings to be represented by each proxy. A proxy need not be a member of the Company but must attend the meeting in person to vote. The instrument appointing a proxy must be deposited at the Company's registered office, 13th Floor, Menara PNB, No. 201-A, Jalan Tun Razak, 50400 Kuala Lumpur, not less than 48 hours before the time for holding the meeting or at any adjournment thereof.

**Foster's shrugs off loss of Courage with 2% rise**

By Nikki Tait in Melbourne

Foster's Brewing, the Australian drinks group, yesterday squeezed out a 2 per cent increase to A\$293.3m (US\$232.5m) in after-tax profits for the year to end-June. Lower interest charges, strong growth from the Australian brewing assets and the absence of last time's abnormal charge off the loss of earnings from Courage the UK.

This was achieved on sales of A\$2.54bn, down from A\$2.57bn in 1994-95. This also reflected the disposal of the Courage business which was sold to the UK's Scottish & Newcastle for \$443m (\$687m) last year.

Earnings per share, again after tax and abnormal, stood at 15 cents, compared with last time's 14.7 cents.

The company claimed the result was "very pleasing" given the earnings gap

created by the Courage disposal. Operating profits before interest and abnormal for the three continuing businesses - Carlton & United Breweries in Australia, a 40 per cent holding in Canada's Molson Breweries, and three Chinese breweries - rose from A\$342.2m to A\$370.8m.

However, this was entirely due to the stronger performance by CUB, which contributed A\$326.6m against A\$282.1m. Earnings from Molson dipped to A\$61.4m from A\$71.9m, due to lower industry volumes and some loss of regional market share. Foster's China operation posted a larger loss of A\$17m, against a A\$12m deficit last time, with the company saying that any profit was now unlikely before 1998.

The newly-acquired Mildara Blass wine business contributed for four months,

adding A\$16.1m, while interest charge fell from A\$128.6m to A\$61.3m. Last time's A\$92.2m abnormal charge was replaced by a \$17m expense, while the deficit on corporate and other investments fell to A\$33.2m from A\$62.9m. However, there were no earnings from Courage, compared with last time's A\$307.6m.

Mr Ted Kunkel, chief executive, said "some progress" had been made on potential opportunities in India and Vietnam. He also dismissed speculation of a possible tie-up with Holland's Heineken, saying it was "disruptive internally - it's not on the cards".

The group said it was reviewing its civil suit against Mr John Elliott, the businessman who ran the group when it was known as Elders IXL in the late-1980s, but had not withdrawn the action.

**Comalco slides in first half**

By Nikki Tait in Melbourne

Shares in Comalco, the Australian integrated aluminium producer controlled by the RTZ-CRA mining group, tumbled 38 cents - or almost 5 per cent - to A\$7.10 yesterday after the company announced a plunge in after-tax operating profits to A\$49.5m (US\$34.7m) in the half-year to end-June.

The profit, struck before abnormal and extraordinary items and a superannuation adjustment, compared with A\$155.1m in the same period a year earlier. After these items, bottom-line profits were down from A\$96.6m to A\$50.6m.

The dividend was also sharply reduced, from 12 cents a share in the first half of 1995 to 3 cents this time.

Comalco blamed the downturn on lower primary aluminium prices, softer alumina markets and the stronger US dollar exchange rate. The average aluminium price in the half-year was 73 US cents a pound, down

from 86 cents in the first six months of 1995 - cutting profits by about A\$70m. The exchange rate difference accounted for a further A\$15m shortfall.

Comalco also said that higher costs - notably electricity and maintenance charges at its Bell Bay operations and higher depreciation charges at the Tivoli Refinery in New Zealand - had knocked A\$18m off the profits total.

The company held out only limited hope of any improvement in the short term. "Market supply and demand for aluminium is expected to come into balance over the second half of this year and into 1997," it suggested.

But it warned: "The continued support of the investor community in stock financing is also an important factor. The market is finely balanced and could move in either direction should any of these factors reverse."

Mr Terry Palmer, chief executive, said he expected

the aluminium price to be in the 68-70 cents range in the current six months.

However, he was more optimistic about the prospects for the much-lagged A\$1bn alumina refinery. He said that a feasibility study into the proposed facility was still under way, but that he hoped a decision could be made in "weeks rather than months".

"Location is very important," he added, revealing that the company is already in negotiations with the Queensland state government.

Mr Palmer said that a number of sites in Malaysia were still being considered - as "clearly the best alternative within Asia" - but that the main problem here centred on securing sufficient gas supplies "at the right sort of price".

The refinery would utilise Comalco's large bauxite deposits in far north Queensland and initially produce about 1m tonnes of alumina a year.

**NEWS DIGEST**

**Fujitsu to cease S-Ram production**

Fujitsu, one of Japan's leading semiconductor manufacturers, is pulling out of static random access memory chip production to concentrate its resources on semiconductor products with greater growth potential.

Fujitsu will close a line at one of its plants in northern Japan where it currently manufactures S-Rams, which are memory chips used in large computers such as supercomputers. The company has been gradually preparing for the closure of the line by March 1997, and is expected to shift production to logic chips instead.

The decision to move out of S-Rams stems from the company's view that the market for the memory chips is not likely to grow as dramatically as those for dynamic random access memory chips and flash memory chips on which it plans to concentrate its resources. The markets for both types of memory chips are expected to grow substantially on the strength of S-Rams amounted to \$233m.

Last year, Fujitsu's sales, according to Dataquest, compared with the company's total semiconductor production value of Y590bn (\$5.44bn).  
*Michio Nakamoto, Tokyo*

**Bank Niaga posts 58% rise**

Bank Niaga, one of Indonesia's largest publicly listed banks, said net profit in the first six months of this year rose 58 per cent on a large increase in the bank's net interest income. Net profit in the first half was Rp44.08bn (\$1.24bn), compared with Rp27.86bn in the same period a year earlier. Net interest income in the period rose by more than 40 per cent from Rp111.41bn to Rp156.71bn.

However, other operating income declined from Rp43.58bn to Rp40.45bn. Earnings per share were down at Rp290, compared with Rp484 in the first half of last year, reflecting the bonus issue and the conversion of bonds into shares. Analysts say earnings per share may be further diluted if the bank proceeds with a planned Rp100bn-Rp200bn rights issue.  
*Manuela Saragosa, Jakarta*

**Brierley lifts Coles Myer stake**

Str Ron Brierley's Brierley Investments has lifted its stake in Coles Myer, Australia's largest retailer, to 6.8 per cent, against 5.01 per cent previously. In a notice to the Australian Stock Exchange, Brierley said that the shares had been purchased since mid-July.  
*Nikki Tait, Melbourne*

**Caltex Australia shares slip**

Shares in Caltex Australia closed 1 cent lower at A\$5.19 yesterday, amid speculation that US-based Caltex Petroleum, which controlled the Australian-listed entity, had decided against a partial sale of its stake - at least for the time being. Rumours of a partial sale - possibly reducing Caltex Petroleum's holding from 75 per cent to a little over 50 per cent - have been circulating since the end of last week.  
*Nikki Tait*

**Beximco to proceed with project**

The Beximco group in Bangladesh said it had been given the go-ahead by the government to build a multi-use complex housing a five-star hotel, prime office space, and a shopping complex in the Dhaka city centre area. Beximco says it will be collaborating with the US Hyatt International Corporation on the project, which is estimated to cost \$225m.  
*Kasra Naqi, Dhaka*

**Banks key to Deutsche Telekom float**

When Mr Joachim Kroske, Deutsche Telekom finance director, last week opened the bag of tricks with which the company hopes to seduce private German investors, he got himself into something of a muddle making comments about Germany's banks.

First he said that what Germany's high street banks did to attract private investors "is not necessarily our business". Then he announced that anybody buying up to 300 Deutsche Telekom shares would be exempted from the usual share purchase fees, but added that this was not "a declaration made by Deutsche Telekom".

Much of the success of Deutsche Telekom's DM15bn (\$10.08bn) partial privatisation, Germany's biggest ever stock exchange listing, depends on how banks such as Deutsche, Dresdner and Commerzbank - not to mention the countless savings banks all over Germany - sell shares to their clients.

Historically German banks have charged relatively high fees for share purchases and done almost nothing to encourage investments in equities. More conservative instruments such as bonds were preferred. That must change, if Deutsche Telekom is to make a success of the issue in November.

Dresdner, Germany's second biggest bank, but with responsibility for placing the issue within Germany, has led the way by waiving the standard share purchase fees and offering especially lucrative savings accounts

for potential investors. Bayerische Vereinsbank, one of the two big Bavarian banks, has followed suit, and Deutsche Telekom hopes such moves will turn into real competition for Germany's private investors.

"It could all get quite cut-throat," says an executive close to the issue, "or the *Vorsitzende* [management boards] of the banks will get together to form a cartel."

How many shares the private investor should buy further illustrates the difficult relationship between the company and the banks. Deutsche Telekom wants the shares spread as broadly as possible in order to strengthen the ties between the company and its 40m or so telephone users.

The banks, on the other hand, need to ensure that

the minimum number of shares purchased is large enough for them to make money on it.

The two sides have agreed that investors will have to buy at least 100 shares, expected to be worth up to DM3,000, in order to qualify for incentives such as discounts and free shares. That minimum is considerable compared with other privatisations designed to win over new shareholders - most notably the first tranche of British Telecommunications (BT) which was privatised in 1994.

In 1984 investors were required to pay \$200 (\$400) to participate in the offering, less than a quarter the amount would be Deutsche Telekom shareholders will have to find. Later offers were made still more attractive to participate in British Gas in 1986 investors had to put down only £100.

Mr Franz-Josef Leven from the German Share Institute in Frankfurt admits that the minimum investment "could scare off" potential investors. He adds that though the sum is "justifiable" if the banks are to come anywhere near recovering their transaction costs which, he says, come to almost DM100.

Other analysts point out that inflation, the dramatic rise of the stock markets since the early 1980s, and the very different levels of gross domestic product in the UK and Germany help explain why Deutsche Telekom newcomers will be asked to invest more than their counterparts at BT.

*Michael Lindemann*

This announcement appears as a matter of record only. August 1996

**Rothmans International**

Facility provided in connection with the acquisition of Burrus Holding S.A.

Arranged and Underwritten by:	
ABN AMRO Bank N.V.	Midland Bank plc
Union Bank of Switzerland	
Funds provided by:	
ABN AMRO Bank N.V.	Midland Bank plc
Union Bank of Switzerland	
Bank Brussels Lambert	Banque Nationale de Paris
Citibank International plc	Credit Suisse
Deutsche Morgan Grenfell	Dresdner Bank AG Lehman Branch
National Westminster Bank PLC	Société Générale
Swiss Bank Corporation	
Facility Agent:	
Union Bank of Switzerland	

Member HSBC Group

Notice to the Holders of the Warrants to Subscribe for Shares of Common Stock of  
**KISSEI PHARMACEUTICAL CO., LTD.**  
(the "Company")

Issued in conjunction with  
**U.S.\$100,000,000**  
1 1/2 per cent Bonds 1996  
(the "1996 Warrants")  
and  
**U.S.\$100,000,000**  
1 3/8 per cent Bonds 1998  
(the "1998 Warrants")

ADJUSTMENT OF SUBSCRIPTION PRICES

NOTICE IS HEREBY GIVEN pursuant to Conditions 7 and 11 of the Terms and Conditions of the Warrants in relation to the 1996 Warrants and 1998 Warrants, respectively, that the Board of Directors of the Company passed a resolution on 7th August, 1996 to issue 110,000,000,000 Convertible Bonds due 2006 and 115,000,000,000 Convertible Bonds due 2008 at the initial conversion price of Y2,952.0 per share of common stock of the Company, which is less than the current market price of Y3,019.0 per share on the date such initial conversion price was fixed.

As a result of such Convertible Bond issuances, the Subscription Prices at which shares are issuable upon exercise of the 1996 Warrants and 1998 Warrants will be adjusted as follows:

(1) The 1996 Warrants	
Before adjustment:	Y2,891.90 per Share
After adjustment:	Y2,883.70 per Share
(2) The 1998 Warrants	
Before adjustment:	Y4,459.10 per Share
After adjustment:	Y4,446.50 per Share

Such adjustment to the Subscription Prices shall be effective as of 24th August, 1996 (Japan Time).

IBJ Schroder Bank & Trust Company  
The Fuji Bank and Trust Company  
on behalf of  
Kissei Pharmaceutical Co., Ltd.  
Dated: 27th August, 1996.

**Golden Hope Plantations Berhad**  
(Incorporated in Malaysia)

**Notice of Extraordinary General Meeting**

NOTICE IS HEREBY GIVEN THAT an Extraordinary General Meeting of the shareholders will be held at the Pacific Ballroom, Pan Pacific Hotel, Jalan Putra, 50746 Kuala Lumpur on 18th September, 1996, immediately after the conclusion or the adjournment (as the case may be) of the 20th Annual General Meeting of the Company which is to be held on the same day to consider and, if thought fit, passing the following Special Resolution:-

**SPECIAL RESOLUTION**

"That the Proposed Amendments in relation to the prescription of security into the Central Depository System by the Kuala Lumpur Stock Exchange and the other Proposed Amendments to the Articles of Association of the Company (collectively referred to as the "Proposed Amendments") as set out in Appendix 1 of the Circular to Shareholders dated 27th August, 1996 be and are hereby approved."

By Order of the Board  
**NORLIN BINTI ABDUL SAMAD**  
Secretary  
Kuala Lumpur  
27th August, 1996

**Notes:**

- A member of the Company entitled to attend and vote at the above meeting may appoint one or more proxies but not exceeding two, to attend and vote in his stead. Where a member appoints two proxies, the appointment shall be invalid unless he specifies the proportion of his holdings to be represented by each proxy. A proxy need not be a member of the Company but must attend the meeting in person to vote.
- The instrument appointing a proxy must be deposited at the Company's registered office, 13th Floor, Menara PNB, No. 201-A, Jalan Tun Razak, 50400 Kuala Lumpur, not less than 48 hours before the time for holding the meeting or at any adjournment thereof.

سكرا من الامل



COMPANIES AND FINANCE: INTERNATIONAL

# Rabobank posts strong advance

By David Brown in Amsterdam

Rabobank, the Dutch co-operative bank, reported a 21.5 per cent increase in first-half net profit to F1 863m (\$611.6m) from the F1 702m in the previous comparable period, but warned that this rate of growth would be unsustainable for the full year.

The strong first half was powered by higher lending, commission income and funds under management. New mortgage loans were ahead by some 50 per cent.

Both the operating result and net profit in the second half are expected to increase on the same period last year, when the bank reported a net profit of F1 726m.

However, Rabobank said it would be hard-pressed to match last year's exceptionally high second-half growth rates, given that demand for loans was easing, the momentum on the financial markets is unlikely to be sustained, and the rate of investment on foreign and domestic expansion will be substantially increased.

"We expect reasonable

growth in the second half," said Mr Herman Wijffels, executive board chairman, although he added "maybe it will be in single digits".

Total income rose, from F1 41bn to F1 47bn. Of this, F1 3.4bn was generated by interest income, which rose almost 11 per cent. Commission income was up 18.6 per cent to F1 624m.

The bank said its loan portfolio totalled F1 231bn at mid-year against F1 189bn at June 30 1995.

Operating costs rose, from F1 2.63bn to F1 2.99bn, due to the brisker pace of business,

the need to hire more staff, the continued expansion of its global network, where 19 new offices brought to international total to 84, and finally to investments in new technology.

Operating profit in the first half advanced from F1 1,026m to F1 1,263m, up 22.7 per cent. Consolidated assets rose to F1 322bn by mid-year, up F1 28.9bn from the end of 1995. Rabobank also reported a strong increase in its off-balance-sheet activities. The nominal value of derivatives contracts rose by F1 162bn to F1 789bn in the period.



Herman Wijffels: reasonable growth seen in second half

# Spanish stores chain slips after buy

By David White in Madrid

El Corte Inglés, the privately-owned Spanish department store chain, took a cut of just under 8 per cent in net profits in its last financial year as a result of taking over its main rival Galerías Preciados.

However, the purchase and rapid reopening of most of the acquired stores enabled it to increase group sales to Pta1,093bn (\$8.69bn), showing 7.6 per cent growth in spite of a generally slack trend in consumer demand.

Group net profits in the year to February 29 fell to Pta30,93bn compared with Pta33,58bn the previous year. This was the lowest figure for six years. But Mr Isidoro Alvarez, chairman, described the result as satisfactory. "The test has been passed," he said.

El Corte Inglés, the third-largest Spanish company by turnover after the Repsol oil group and Telefónica, paid Pta30bn for the assets of Galerías Preciados, a troubled group which had been through six owners since the mid-1970s. Under the terms of its bid, selected by the commerce ministry, El Corte Inglés committed itself to hiring 5,200 of Galerías's 7,300 employees.

As a result of the purchase, total group investments almost doubled to Pta109,82bn, and outstanding financial debts climbed 42 per cent to Pta100,02bn. The deal involved 28 Galerías stores, of which 26 have since been reopened as El Corte Inglés branches, bringing the number of department stores in the group to 62.

The impact on profits was lessened by a 7 per cent net earnings increase at the Hipercor supermarket subsidiary to Pta5,97m, on sales up 11.5 per cent to Pta223,54bn. However, losses at the group's California-based offshoot The Harris Company rose from Pta657m to Pta862m.

NEWS DIGEST

# DG Bank up 30% at operating level

DG Bank Deutsche Genossenschaftsbank, the umbrella organisation of Germany's co-operative banks, said operating profit after risk provisions rose 30.1 per cent to DM266.2m (\$178.5m) in the first half, from DM204.8m a year earlier. The bank said the increase was due to an improvement in operating business and slower growth in costs than at other banks. It said it was "optimistic" that it could achieve higher earnings for the full year as long as risk provisions and costs continued to grow at a moderate pace.

Risk provisions fell 11.9 per cent to DM188.1m in the first half, from DM213.4m a year earlier. Net interest income rose 15.4 per cent to DM1.65m from DM1.4bn. Net commission income fell 3.8 per cent to DM188.5m from DM143.8m the year earlier, mainly due to accounting changes at building society unit Schwabisch Hall.

Trading income fell 12 per cent to DM80.3m from DM91.3m the year earlier. Operating costs rose 9.6 per cent to DM1.36bn from DM1.33bn, lifted by the first-time consolidation of the VR leasing group. Total assets rose 2.8 per cent to DM308.7bn. *AFX News, Frankfurt*

**FDA clears Aids drug**

Ares-Serono, the Swiss pharmaceutical group, said the US Food and Drug Administration had cleared its Serostim human growth hormone treatment for Aids under its accelerated approval process. Serostim is used to help Aids sufferers regain lean muscle and organ tissue.

"The approval of Serostim is an extremely rewarding and important milestone for the company," Mr Ernesto Bertarelli, Ares-Serono chief executive said. *AFX News, Geneva*

**Telefónica in Portuguese bid**

Telefónica de España is seeking to lend a consortium in the Portuguese government's planned privatisation of a 25 per cent stake in Portugal Telecom. The size of the stake for which the consortium will bid will depend on the conditions set by the government, but a spokesman said that it is "more likely to be something like 10 per cent".

The consortium could include Societa Finanziaria Telefónica, a company spokesman said. As part of a future alliance the two companies would wish to co-operate in areas such as international traffic, he added.

Telefónica recently formed a consortium to bid for a 35 per cent stake in Brazil's state-owned Companhia Riograndense de Telecomunicacoes. *AFX News, Madrid*

# Polish banks optimistic on merger deal

By Christopher Robinski in Warsaw

Officials from four state-owned Polish banks remain confident of overcoming disagreements to setting up a financial group which would control about one-fifth of the local banking market. A deal completing the government planned merger could be signed as early as next month.

The differences between the three regional banks - Pomorski Bank Kredytowy from Szczecin (PBKS), Bank Depozytowo Kredytowy

(BdK) in Lublin and Powszechny Bank Gospodarczy (PBG) in Lodz - and the PKO SA, a Warsaw-based savings bank that is to lead the group, centre on the exact measure of autonomy each bank is to enjoy.

Last week the four banks met to discuss the fourteenth draft of the consolidation agreement without reaching agreement.

PBG is leading the opposition to leaving full control of the group with the PKO SA, although Mr Andrzej Szukalski, its president, says: "The merger must be a friendly

one." Mr Szukalski, who is also head of the Polish Banking Union, a trade association, says that the three regional banks must stay as separate legal entities, retaining their names and local character.

PBG wants strategic decisions for the group to be taken by a management committee, composed of two representatives from the PKO SA and one from each of the three banks. The PKO SA wants its board to manage the group's affairs, leaving the management committee in an advisory role.

PBG also wants the regional banks to retain responsibility for those sectors which they have developed in the seven years since they were carved out of the National Bank of Poland.

In PBG's case, this is a successful investment banking division, which manages the corporate assets taken over in lieu of debts. The bank also owns the Lodz Management Group which is seeking to raise \$5m for a venture capital fund which would concentrate on investments in central Poland.

Consolidation talks come

after the recent death in a car accident of Mr Marian Kanton, head of the PKO SA, who was willing to accept a greater measure of autonomy for the three regional banks. The bank's temporary management under Mr Andrzej Doroz is now taking a much tougher line, according to Mr Szukalski.

Consolidation of the four banks will precede privatisation of the group, according to the government. Mr Szukalski says this can only start in 1998 as next year will be spent on implementing the merger.

# Setback for Hungarian energy offer

By Virginia Marsh in Budapest

A secondary offering of Mol, Hungary's oil and gas company, which the state hoped would be the country's largest international equity offer this year, is unlikely to go ahead until the spring, following the government's surprise decision last week to delay energy price rises until January.

The decision rattled strategic investors such as RWE and Bayernwerk of Germany, Electricité de France, Gaz de France and Italgas, which last year paid nearly \$2bn for stakes in other local energy companies.

The state, which holds 58.6 per cent of Mol, hopes to raise up to \$300m from the

sale of 12-18 per cent. It follows the placement of an 18.8 per cent stake for \$152m last autumn, in what was eastern Europe's largest ever primary equity offering.

However, the sale will almost certainly be delayed due to the government's failure, to honour its pledge to raise energy prices in October. Mol's share price plunged 130 points to Ft1,540 on Friday before it recovered to close at Ft1,596. Yesterday it fell a further 30 points, ending at Ft1,566. Last year's offer was priced at Ft1,100.

The delay will increase Mol's losses on its gas business - even with the planned rises it had expected a shortfall of about Ft3.5m (\$16m) this year.

When Hungary sold off

stakes in six gas and six electricity distribution companies and in two power generators last year, the government promised to raise prices twice this year, as well as guaranteeing investors an 8 per cent return and promising to clarify other regulatory issues. But last week it ordered a government commissioner to review the matter.

However, energy prices have risen sharply in the past 18 months and many ministers in the Socialist cabinet are reluctant to sanction further steep increases at a time of high inflation, falling wages and welfare cuts.

"What we're seeing is a government, making promises in 1995 when it wants to

sell something and then having different ideas in 1996 when it wants to be popular," one western energy executive said. "This is simply unacceptable."

As part of the second phase of energy privatisation, Hungary has sold an 81 per cent stake in a generator to AES, the US utility. Unlike last year's buyers, however, AES will not pay the final \$38m instalment of a purchase price of up to \$43m unless several conditions, including a decision on prices, have been met.

Other investors hope they can convince the government to go ahead with the price rises on grounds that, otherwise, they will be delayed or scale back plans for badly-needed investment or

renegotiate their purchase contracts.

A partial solution favoured by some investors, on the electricity side, would be for MVM, the core electricity company which operates the national grid and is still state-owned, to act as a buffer, paying cost-reflective rates for the power purchased from generators, but selling distributors at a loss. The government could then honour its commitments to investors and minimise consumer price rises, although it would, however, complicate plans to privatise MVM.

On the gas side, the state has less room to manoeuvre as it promised investors in Mol and the distributors that the companies would enjoy an 8 per cent return.

Skandia is an international corporation providing insurance and financial services in its Nordic home market and internationally. The group offers a wide range of direct insurance, reinsurance and savings products for individuals and businesses. Based in Stockholm, Skandia has approximately 10,000 employees. Skandia's shares are listed on the Stockholm, Copenhagen and London stock exchanges.

## 1996 Interim Report - Skandia Insurance Company Ltd.


# Result Improvement

- The operating result improved by 34 per cent to MSEK 1,957 (1,462). The result before taxes rose 64 per cent to MSEK 1,544 (940).
- Total premiums written rose 9 per cent (-2) to MSEK 29,976 (26,662). Adjusted for currency effects and the sale of Skandia America Reinsurance Corporation, the increase was 22 per cent.
- Premiums written for unit linked assurance rose to MSEK 15,014 (10,956). Adjusted for currency effects the increase was 51 per cent (-13). The largest growth was reported in the U.S., up 96 per cent (-12). The operating result for the group's life and unit linked assurance activities rose to MSEK 811 (563).
- Investment income was very favourable, totalling MSEK 1,466 (641), mainly due to strong value appreciation in the share portfolio.
- The technical result for non-life insurance and reinsurance decreased to MSEK 79, due to higher claim costs. This decline was compensated by investment income. Consequently, the operating result for non-life insurance and reinsurance improved by 7 per cent to MSEK 1,545.
- Net asset value increased to MSEK 17,166 (16,249), corresponding to SEK 168 per share (159).
- Skandia's interim report will be published around August 26. Copies can be ordered from: Skandia, Market Communications, S-103 50 Stockholm. Tel. +46-8-788 10 00, or fax +46-8-788 26 85. Internet: <http://www.skandia.se>

RESULT DEVELOPMENT			
	June 1996	June 1995	Change %
MSEK	1996	1995	
Non-life insurance and reinsurance	1,545	1,444	+7
Life insurance	811	563	+44
Other activities	28	-15	
Joint-group expenses	-427	-630	-19
Operating result	1,957	1,462	+34

\* Does not include Skandia Life Insurance Company Ltd. (Swedish Skandia LIF), which is run on an initial basis. The new Swedish Insurance Accounts Act went into effect on 1 January 1996. Among other things, this has affected the comparison figures for 1995, which have been adjusted to conform to the new act.





### FIRST HALF 1996 FINANCIAL RESULTS

(Reviewed by Ernst & Young, Bahrain)

CONSOLIDATED BALANCE SHEET (AT 30 JUNE 1996)	(US\$ million)	
	30 June 1996	30 June 1995
<b>ASSETS</b>		
Liquid funds	268	228
Marketable securities	2,219	2,158
Placements with banks and other financial institutions	6,817	6,434
Loans and advances	10,922	10,658
Interest receivable	376	316
Investments in associates	80	81
Other investments	104	114
Other assets	286	293
Premises and equipment	445	455
	<b>21,517</b>	<b>20,737</b>
<b>LIABILITIES</b>		
Deposits from customers	9,455	9,760
Deposits from banks and other financial institutions	8,068	7,347
Certificates of deposit	260	203
Interest payable	317	267
Other liabilities	301	419
Minority interests	272	260
	<b>18,673</b>	<b>18,256</b>
<b>TERM NOTES, BONDS AND OTHER TERM FINANCING</b>	<b>1,250</b>	<b>994</b>
<b>SHAREHOLDERS' FUNDS</b>		
Share capital	1,000	1,000
Treasury stock	(75)	(71)
Reserves & retained earnings	608	491
Current period's profit	61	67
	<b>1,594</b>	<b>1,487</b>
	<b>21,517</b>	<b>20,737</b>

CONSOLIDATED INCOME STATEMENT (6 MONTH PERIOD TO 30 JUNE 1996)	(US\$ million)	
	Jan-June 1996	Jan-June 1995
<b>INCOME FROM OPERATIONS</b>		
Net interest income	196	194
Other operating income	128	136
<b>TOTAL INCOME</b>	<b>324</b>	<b>330</b>
Operating expenses	(207)	(197)
<b>OPERATING PROFIT BEFORE LOAN LOSS PROVISIONS</b>	<b>117</b>	<b>133</b>
Loan loss provisions	(14)	(29)
<b>PROFIT BEFORE TAXATION AND MINORITY INTERESTS</b>	<b>103</b>	<b>104</b>
Taxation on foreign operations	(27)	(24)
Minority interests in subsidiaries	(15)	(15)
<b>NET PROFIT FOR THE PERIOD</b>	<b>61</b>	<b>67</b>

البنك التجاري الدولي

ARAB BANKING CORPORATION (B.S.C.)

ABC Tower, Diplomatic Area, P.O. Box 5698, Manama, Bahrain.  
Tel: 332235 Fax: 533062/533163 Trx: 9431 ABCBAH BN CR No: 10299

COMPANIES AND FINANCE: INTERNATIONAL

Gold miners on growth treadmill

Producers are turning to takeovers in the struggle to maintain their reserves

North America's big gold mining groups are on a treadmill. They have to keep running ever faster just to stand still.

Investors put a premium on companies whose gold reserves keep growing and also give a higher rating to big gold mining groups.

If they want to keep shareholders sweet, they will have to bring 7.65m troy ounces of gold into their combined reserves this year, or 217.7 tonnes.

This challenge has been put in the spotlight by the C\$1bn (US\$730m) bid - which closes today - by Barrick for Aratupa, a four-year-old Vancouver company.

The Aratupa bid did most of the problems ahead for groups such as Barrick, which was formed only a little over 10 years ago and is now the biggest gold miner outside South Africa.

Aratupa's most important asset is a project in Peru where, at the time the bid was made, only nine holes had been drilled. What attracted Barrick was that



those drill holes indicated there might be 3.5m ounces of gold in the deposit.

Aratupa has an incredibly exciting deposit, says Ms Lewne Baker, analyst at Salomon Brothers. "But the bid points up the real challenge Barrick faces."

Mr Nick Hatch, at Flemings Global Mining Group, adds: "Obviously it becomes harder and harder to replace reserves. The problem can only get worse the bigger a company becomes."

this is already being reflected in the Barrick share price.

One obvious way for a gold group to boost reserves is via takeovers or mergers. Barrick's hectic growth has been helped by acquisitions, for example, its US\$1.6bn takeover of Lac Minerals, another Canadian company.

The pressure for takeovers and mergers among gold miners is also being increased by the market's preference for bigger groups.

In their latest review of North American gold producers, analysts at stockbroker T Hoare & Co point out that the top three companies (Barrick, Newmont and

Placer) account for 66 per cent of the total market capital of this sector of the Financial Times Gold Mines Index, whereas their share of gold production is only 54 per cent.

There is a big danger in the merger strategy, as the Hoare analysts point out. "Although it may increase total reserves and production and thus the (market) rating, the price paid is sometimes far more than the cost of finding new gold from scratch, although finding multi-million ounce deposits is clearly not easy."

Ms Baker at Salomon agrees: "Those companies with good exploration track records are the ones with the potential for adding most value, rather than those that have to acquire."

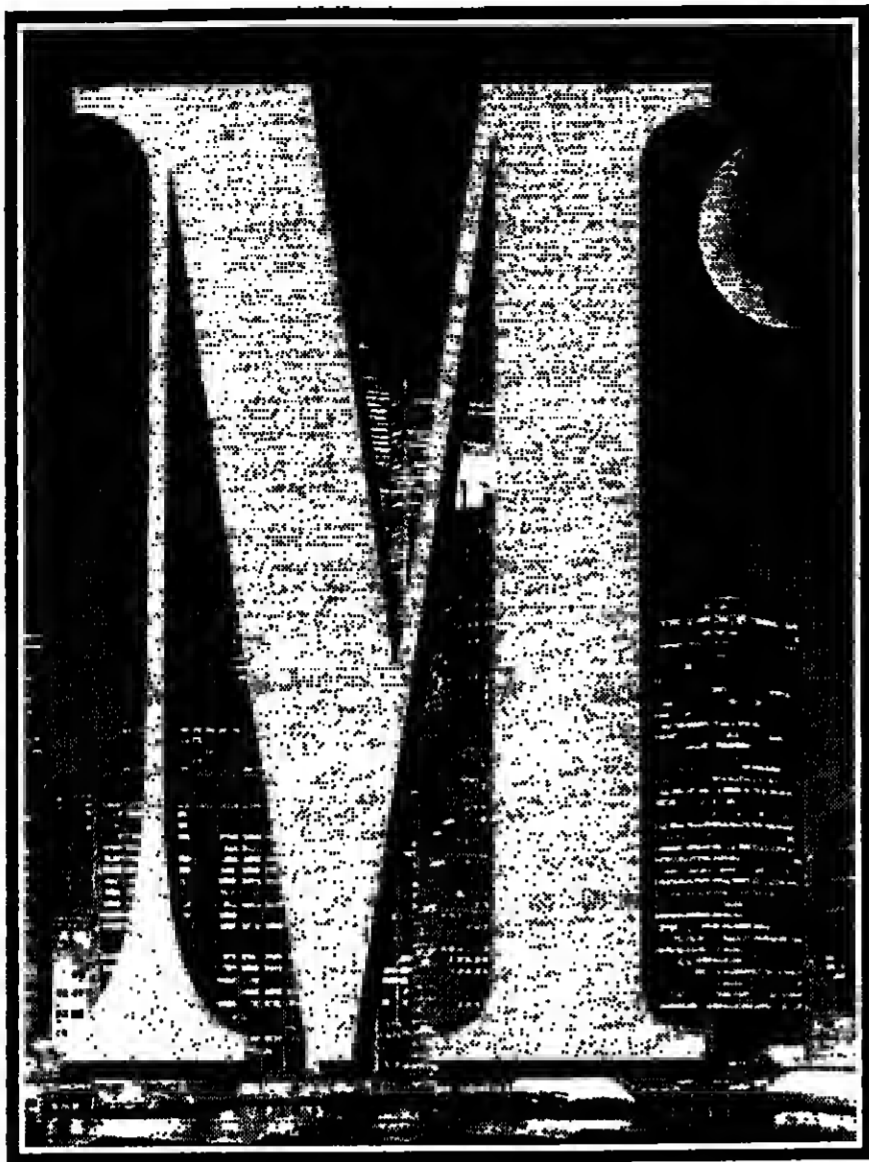
The difficulty investors face is that it is usually small or "junior" gold companies that have exploration successes. Arequipa in Peru and two other Canadian companies, Bre-X in Indonesia and IAMGold in West Africa, are recent examples.

"The large North American gold miners have found it increasingly difficult to discover gold deposits that are large enough to justify their involvement and capable of providing sufficient production to pay for the management time and big company overheads," say Hoare analysts Ms Elena Clarici, Mr Matt Sutcliffe and Mr Roger Chaplin.

"Large gold miners are resorting to a certain extent to the 'cheque book' approach to exploration which enables them to buy into juniors and areas after the discovery has been made and most of the surrounding areas have been staked."

Fortunately, as Flemings' Mr Hatch points out, it will be a long time before gold groups run out of new places to explore. "Huge tracts of the earth have not yet been properly explored and governments are now more willing to open them up to mining companies. This includes the bulk of Africa, Russia and other parts of the CIS, Indonesia, China and India," he says.

Kenneth Gooding



is for Midnight Oil

We never stop working on our clients' behalf. In 37 states, in 30 countries, we've one common work ethic. To never be complacent. To never take relationships for granted. And to work until the job is done. To your satisfaction. And ours.



INVESTMENT BANKING. FROM A TO

REGULATED BY SFA AND IMMO

A DIVISION OF BARCLAYS BANK PLC

INTERIM REPORT - SPARBANKEN SVERIGE - JANUARY - JUNE 1996

Stable development

- Operating income improved by 46% to SEK 2,474 M
Total revenues increased by SEK 461 M
Credit losses decreased by SEK 445 M
Return on equity rises to 19.6%

Income Statements, The Group

Table with columns for 1995 and 1996, showing various financial metrics like interest receivables, operating income, and total revenue.

Key Figures, The Group

Table with columns for 1995 and 1996, showing key figures like deposits, assets, equity, and return on equity.



The report can be requested from Sparbanken Sverige, Investor Relations...

Prices for electricity delivered for the purposes of power generation and distribution

Table showing electricity prices for various periods and locations, including SEK/MWh and US\$/MWh.

Prices are determined for every half-hour in each of the four periods shown in the table above...

CS First Boston Group

CS First Boston Finance, B.V. (formerly CSFI Finance B.V.)

US\$200,000,000 Guaranteed subordinated floating rate notes August 2003

Guaranteed on a subordinated basis by CS First Boston Group, Inc.

Notice is hereby given that for the interest period 27 August 1996 to 25 February 1997 the notes will carry an interest rate of 5.55469% per annum.

Interest payable on 25 February 1997 will amount to US\$22.69 per US\$1,000 note and US\$230.82 per US\$10,000 note and US\$2,808.20 per US\$100,000 note.

Agent: Morgan Guaranty Trust Company JPMorgan

Interfinance Credit National N.V.

US\$100,000,000 Guaranteed floating rate undated unsecured subordinated non-cumulative capital notes

In accordance with the terms and conditions of the notes the rate of interest for the interest period 27 August 1996 to 25 February 1997 has been fixed at 9.028134028% per annum.

Interest payable on 25 February 1997 will be US\$9.028134028 per US\$1,000 principal amount of the notes.

Agent: Morgan Guaranty Trust Company JPMorgan

US Treasuries drag down Europe

By Richard Tomkins in New York and Corner Middelman in London

With the UK closed for a national holiday, European government bond markets had a quiet day yesterday, dragged down by weakness in US Treasuries.

US bonds fell amid worries that the Federal Reserve might be set to raise interest rates next month, but the losses were mitigated by a decline in home sales.

At midday, the benchmark 30-year bond was down 1/2 at 97 1/2, yielding 6.967 per cent. The sell-off began on Friday when the latest report of

durable-goods orders indicated that economic activity was stronger than expected. The losses increased when the Fed released the minutes of the July meeting of its Open Market Committee.

GOVERNMENT BONDS

showing that policy makers had been closer to raising interest rates than many people thought.

Worries about the prospect of an interest rate increase continued yesterday, but eased a little when the National Association of Real-

tors announced that sales of existing homes fell by 5 per cent in July. The figures were taken as an indicator that economic growth might, after all, be slowing.

German bunds ended a lacklustre session weaker, with the September futures contract on the DFT, Germany's futures and options exchange, down 0.27 at 97.15 in thin turnover.

Technically, this put the German market in a weak position, said a trader in Frankfurt. "If the bund contract on Liffe gaps lower [today], that doesn't bode well for the market," he said.

Preliminary August inflation data for western Germany showing a 0.1 per cent decline on the month and a 1.4 per cent rise on the year, had little impact on bunds.

The French bond market also weakened, with the notional bond future on Mafif slipping by 0.22 to 123.30 in thin volume.

Italian bonds were hit by a softer lira and weaker bonds and Treasuries; the bond futures contract falling by 0.56 to 115.34. Spanish bonds fell less sharply, with the bond future on Mef ending at 100.56, down 0.26.

BNI given investment grade rating

By Marusia Saragosa in Jakarta

Bank Negara Indonesia, the state-owned bank which ranks as Indonesia's largest and is due to be publicly listed before the end of this year, has been assigned an investment grade long-term rating of triple-B and a short-term rating of A-3 by Standard & Poor's.

The rating agency said BNI's capitalisation was "reasonable", its equity-to-assets ratio "satisfactory", and that it would have the "probable support of the Indonesian government if it became distressed financially".

BNI has made no comment on the rating but it is bound to please following the low

rating assigned to the bank by Moody's Investors Service in February this year.

Moody's allocated BNI a financial strength rating of D-plus, noting that its main challenge was to balance its commercial standards with those needed to support government policies.

S&P said that while BNI's financial profile is "dampened" by low to moderate profitability and moderately high non-performing loans, the bank's "fiscal health" last year allowed it to increase market share.

While BNI's non-performing loans are "better than those of many other state banks", its lending exposures are "believed to be high relative to international peers".

"The bank essentially has reduced a large bulk of its non-performing assets and its main task now is to improve its competitiveness against the major private sector banks," S&P said in its rating statement.

Earlier this month, Mr Nono Purnomo, BNI managing director, indicated concern over whether the health of the state banking sector following a series of bad debt scandals in recent years would affect BNI's plans to list its shares this year.

Ha noted that BNI has "relationships" with 75 per cent of government-owned enterprises and that its "system of credit control is considered good".

Corporate banking represents 63 per cent of BNI's

domestic loan portfolio although it intends to increase retail banking's share to 50 per cent. The bank has assets worth Rp32,000bn (\$13.66bn) and more than 13,000 employees.

BNI is widely expected to be the first state-owned company to follow the initial public offering of Telkom, the state-controlled domestic telecommunications company, which was partially privatised in October last year.

Mr Baecillus Ruru, senior finance ministry official responsible for state-owned enterprises, has said the BNI float would be a domestic issue listed in Jakarta, with a tranche offered to international investors and a single co-ordinator.

Swiss Banking advertisement with logo and contact information for John Rolley.

TAKE PRECISE AIM advertisement for advertising services.

Handwritten Arabic text at the bottom of the page.

صباحنا من الامل

COMPANIES AND FINANCE: UK

# Overexpansion felled Chamberlain

By Jane Martinson

Receivers at Chamberlain Phipps have blamed most of the UK footwear group's downfall on its aggressive international expansion. Speaking for the first time since being appointed last Monday, Mr Murdoch McKillop, joint receiver, said that difficult trading in the UK shoe industry had not helped, but it was international ambitions that led to the group's downfall. Chamberlain shares were suspended last week after a

survival plan put forward by Postern, a corporate recovery specialist, was rejected by creditors led by the Bank of Scotland. The bank, together with Credit Lyonnais Leing, was owed about £20m (\$47m) by the company, which had issued two profits warnings and breached its bank covenants. The Arthur Andersen receivers now hope to sell Chamberlain's three remaining international divisions - in the US, Canada and the UK - separately and as going concerns. "We are try-

ing to make sure all the constituent parts survive, but under new ownership," said Mr McKillop. Although some potential buyers had indicated they would be interested in the entire business, this is unlikely to happen. In spite of a number of approaches, Mr McKillop is not keen to rush into a sale. "There is no need to rush into anything and certainly no need to panic. We are not going to have a fire sale. What we want is for the businesses to settle down."

The strategy of delaying the sales is intended to attract better prices. Mr McKillop said the 12 serious buyers would be contacted once his 20-strong team had "a better idea about what's happening". He envisages the UK sale within three months, by which time a statement of affairs from the former directors should have been filed. Six people had left Chamberlain's head office and 00 other redundancies were planned. The French shoe manufactur-

ing arm was sold last week in a management buy-out, although final details have not been agreed. Mr McKillop intends to realise the group's investment in the two other international companies, as well as intercompany debt of some £8m (\$8.8m) in Canada and \$4m in the US. The most difficult sale is likely to be that of Knapp, Chamberlain's US company. Mr McKillop denied speculation that the company might have to file for Chapter 11 Bankruptcy protection.

# Bass deal may mean licensing review

By Alice Rawthorn

Bass may face a review of the licensing deal to make and distribute Castlemaine XXXX, the Australian lager, if its proposed acquisition of Carlsberg-Tetley, the rival brewing joint venture, goes through. Carlsberg-Tetley, which spent a year negotiating the acquisition with Bass before agreeing terms at the weekend, holds the licence to produce and sell Castlemaine in the UK from Lon Nathan, the New Zealand drinks group that owns the brand. Under the terms of such agreements, licensing rights usually come up for review if the licensee undergoes a change of control. This is believed to be the case under Carlsberg-Tetley's licensing deal to produce Castlemaine.

The acquisition agreement involves a change of control for the Carlsberg-Tetley venture. It enables Bass to buy 50 per cent of the company from the Allied Domecq drinks group for £200m (\$310m). Carlsberg, the Danish brewer, will put the other 50 per cent of Carlsberg-Tetley plus £20m into Bass's UK brewing subsidiary, in return for a 20 per cent stake in that business.

Bass said Carlsberg-Tetley had a number of other small licensing arrangements, but the Castlemaine contract was by far the biggest. Castlemaine is the UK's 11th best selling beer brand. The UK brewer's plans for Carlsberg-Tetley have been put on ice, while the Office of Fair Trading reviews the proposed deal, which will enlarge Bass's share of the UK brewing market from 23 per cent to 35-36 per cent and give it eight of the 15 best selling beer brands. The OFT is considering whether to recommend a referral to the Monopolies and Mergers Commission. If the OFT allows Bass to press ahead with the entire deal, Bass will review its enlarged operations.

# Banks back Greycoat's City projects

By Simon London, Property Correspondent

Greycoat, the property company, has raised bank finance for two speculative City of London office developments, providing the most concrete evidence to date that lenders are returning to the development market. Banks have been unwilling to finance speculative property schemes since the City development boom of the late 1980s, which resulted in an oversupply of new buildings, a collapse in property values and large loan write-offs.

The availability of bank finance will determine whether a new wave of speculative development takes place, now that City rents are again on an upward trend. Greycoat has raised about £20m (\$31m) to finance two 50,000 sq ft developments, at 7 Bishopsgate and 1 Great St Helens. Both schemes are scheduled to be completed by the end of 1997. The respective lenders are Hongkong and Shanghai

Banking Corporation and Heliba, the German mortgage bank.

The loans are non-recourse, so the banks' main security is in the value of the finished buildings, which Greycoat has guaranteed to complete. In each case, the banks agreed to lend 50 per cent of the development cost, a conservative loan-to-value ratio. In the late 1980s, loan-to-value ratios were typically 75-80 per cent, which meant that developers needed relatively little equity to fund speculative projects.

Mr Chris Strickland, Greycoat's development director, said only a handful of banks were willing to consider speculative development finance even on such conservative terms. "All the banks we have been talking to have large property teams. They understand the market and have the resources to monitor loans as developments take shape." Greycoat is paying an interest margin over inter-bank rates of 1 to 1.5 percentage points.

# Utd Utils woos US investors

By Jane Martinson

Senior executives from United Utilities, the UK's first multi-utility, returned from an intensive charm offensive aimed at US investors on Friday.

The visit, the first by executives in two years, follows substantial investor criticism of the group's new pay packages agreed at last month's annual meeting. Mr Bob Ferguson, group finance director, accompanied on the trip by Mr Brian Staples, group chief executive and Mr Clive Elphick, planning director, said US institutions had shown "a lot of interest in the United Utilities story".

As well as the controversy over the new pay plan, US institutions have questioned the role of Sir Desmond Pither, executive chairman, in recent months. Sir Desmond, who went on holiday after the annual meeting and has only recently returned, is still expected to carry out his own charm offensive aimed at UK investors.

Following North West Water's £1.8bn (\$2.79bn) takeover of Norwich last November - to form United - the shares have underperformed the sector. But since last month's annual meeting they have gained some 40p to close at 607p on Friday.



Powering the flotation - David Price, left, with David Shipman, finance director

# Lavendon raising up to £12m

By Christopher Price

Lavendon Group, which rents out mobile extensions for outside broadcast cameras and construction work, is planning an autumn flotation which is likely to value the company in excess of £26m (\$39m). The group plans to raise between £5m and £12m, which will be used to pay off

venture capital investors and reduce debt. Lavendon, founded in 1988, was subject to a management buy-in in 1992. CinVen owns 55 per cent of the equity and management the remainder. Mr David Price, chairman, said the market for powered access equipment was being driven by health and safety requirements across Europe, and was replacing tradi-

tional scaffolding in a large number of markets. Pre-tax profits of £1.8m were struck on sales of £9.9m in 1995, against £650,000 and £7.2m respectively. About two-thirds of Lavendon revenues are generated from the construction business, including a large proportion of repair and maintenance work. The company

also provides powered access vehicles for broadcasting work, including the Wimbledon tennis championships and the British golf championship. The company has 400 powered access vehicles, the largest of which cost £500,000 and is hired out for £10,000 a week. Beeson Gregory is sponsor and broker to the float.

# Mentmore in bid talks with BDM

By Geoff Dyer

Mentmore Abbey, the stationery, housewares and storage group, has entered into talks with British Data Management about a takeover bid for the archive storage company.

A takeover would further transform Mentmore, which changed its name from Platinium in March when it acquired Abbey Storage for £24.5m. BDM announced on August 12 that it had received an approach which might lead to an offer. The group said that any bid was

likely to be at a modest premium to the share price - then 179p, valuing it at a £47.7m. BDM shares, at 150p before takeover speculation began, closed at 180p on Friday.

It is thought any deal could take some time to put together because of the relative sizes of the two groups: Mentmore has a market capitalisation of only £27m. Analysts did not rule out a bid from another party, with Brambles Industries, the Sydney-based transportation and equipment hire group, mentioned as a possible candidate.

	30.06.96	30.06.95	% Change
<b>R million</b>			
Attributable income	1 803	1 003	80
Attributable income (before exceptional items)	1 494	1 017	47
Net assets (at valuation)	25 110	19 314	30
<b>Cents per share</b>			
Attributable income	124.4	72.8	71
Attributable income (before exceptional items)	103.1	73.8	40
Attributable cash earnings (before exceptional items)	135.7	74.8	81
Dividends	25.0	20.0	25
Net assets (at valuation)	1 730	1 392	24
<b>US\$ million</b>			
Attributable income	469	279	68
Attributable income (before exceptional items)	388	283	37
Net assets (at valuation)	5 794	5 313	9

### FINAL DIVIDEND

A final dividend No. 141 (coupon No. 150) of 18 cents (1995 - 14 cents) per ordinary share has been declared, payable on 27 September 1996 to shareholders registered on 13 September 1996. The share register will be closed from 16 September to 25 September 1996.

The dividend is payable in the currency of the Republic of South Africa. Payments from the United Kingdom will be made in United Kingdom currency at the rate of exchange ruling on 19 September 1996, or on the first day thereafter on which a rate of exchange is available.

By order of the Board  
**B P Gilbertson**  
**M L Davis**

**GENCOR LIMITED**  
 Registration number: 0122225  
 Incorporated in the Republic of South Africa

6 Holland Street, Johannesburg 2001  
 PO Box 61826, Marshalltown 2107

Johannesburg  
 26 August 1996

## DIAMONDS - NEW HORIZONS IN MINES AND MARKETS

7 October 1996 - London

This major one-day conference will review the significant changes taking place in the international diamond industry, examining the consequences of the boom in worldwide exploration for diamonds, the impact of possible new producers on the market and the growth of new consumer markets in Asia. Expert speakers from North America, South Africa, Europe and Australia will address these key issues at this, the first FT conference devoted to diamonds.

Issues to be addressed include:

- The Global Search for Diamonds
- Canada's Potential as a New Diamond Producer
- Where Do the Russians Stand?
- Africa's Position in World Diamond Production - Now and in the Future
- How the Markets will Respond to the Prospects of New Diamond Production

Speakers include:

Mr Hugo T Dumitru Senior Vice President and Group General Manager Exploration, BHP Minerals	Mr Eli Izhakoff President, World Federation of Diamond Bourses
Mr R John Robinson Chief Executive, Ashton Mining Limited	Dr Luc Rombouts Managing Director, Terraconsult bvba
Mr James Picton Research Consultant, Standard Equities, Johannesburg	Mr Peter M Miller Chief Executive, St Genevieve Resources Ltd, President, KWG Resources Inc
Dr John Helmer Moscow Correspondent, Diamond International, Diamantaire and Antwerp Confidential	Mr R Baxter-Brown Chairman, Redarun Limited

The organisers reserve the right to alter the programme as may be necessary.

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### REGISTRATION/ENQUIRY FORM

FT DIAMONDS - NEW HORIZONS IN MINES AND MARKETS 7 October 1996

Mr/Ms/Mlle/Ma/D/Dr/Other

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 Surname \_\_\_\_\_  
 Position \_\_\_\_\_  
 Company/Organisation \_\_\_\_\_  
 Address \_\_\_\_\_  
 City \_\_\_\_\_  
 Postcode \_\_\_\_\_ Country \_\_\_\_\_  
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Type of Business \_\_\_\_\_  
Data Protection Act: The information you provide will be held on our database and may be used to keep you informed of our and associated companies' products, and for third party marketing.

Please complete and return to: FT Conferences, Maple House, 152 Tottenham Court Road, London W1P 9LL  
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Please send me conference details.

**FEES ARE PAYABLE IN ADVANCE**

Please reserve one place at the rate of £58.67 (+£95.00 plus 17.5% VAT) Please note that as the conference is being held in the UK, all registrants are liable to pay Value Added Tax. A VAT receipt will be sent on payment of the registration fee.

Cheque enclosed made payable to FT Conferences.

Bank Transfer to: FT Conferences, Midland Bank plc, City of London Corporate Office, Account Number 7100095 Sort Code 40 02 61 International, SWIFT Code MIDLGB22 (please quote delegate name as reference).

Please charge my AMEX/MasterCard/Visa with f \_\_\_\_\_  
 Card number \_\_\_\_\_  
 Expiry Date \_\_\_\_\_

Signature of Cardholder \_\_\_\_\_  
Cancellation Policy: Cancellations must be received in writing by Monday 23 September 1996, and will be subject to a 20% cancellation fee unless a substitute delegate is offered. After this date, the full registration fee will apply, however substitutions will still be accepted.

Recommended Global Airways:

CURRENCIES AND MONEY

POUND SPOT FORWARD AGAINST THE POUND

Table with columns: Country, Closing mid-point, Change on day, Bid/offer spread, Day's mid high/low, One month Rate, Three months Rate, One year Rate, Bank of England Index.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Table with columns: Country, Closing mid-point, Change on day, Bid/offer spread, Day's mid high/low, One month Rate, Three months Rate, One year Rate, J.P. Morgan Index.

WORLD INTEREST RATES

Table with columns: Money Rates, LIBOR FT London, US Dollar CDs, ECU LIBOR, etc.

CROSS RATES AND DERIVATIVES

Table with columns: Country, Bid, Offer, Bid, Offer, Bid, Offer, Bid, Offer, Bid, Offer, Bid, Offer.

FT GOLD MINES INDEX

Table with columns: Gold Mines Index, Bid, Offer, Bid, Offer, Bid, Offer, Bid, Offer, Bid, Offer, Bid, Offer.

UK INTEREST RATES

Table with columns: Instrument, Rate, Instrument, Rate, Instrument, Rate, Instrument, Rate.

RIGHTS OFFERS

Table with columns: Issue, Amount, Latest price, Closing price, etc.

UK GILTS PRICES

Table with columns: Issue, Price, % of par, Yield, etc.

BASE LENDING RATES

Table with columns: Bank, Rate, Bank, Rate, Bank, Rate, Bank, Rate.

BANK RETURN

Table with columns: Category, Amount, Category, Amount, Category, Amount, Category, Amount.

LONG TERM FRENCH BOND OPTIONS

Table with columns: Issue, Price, Issue, Price, Issue, Price, Issue, Price.

STOCK INDICES

Table with columns: Index, Value, Index, Value, Index, Value, Index, Value.

EURO BOND FUTURES

Table with columns: Issue, Price, Issue, Price, Issue, Price, Issue, Price.

EURO CURRENCY INTEREST RATES

Table with columns: Country, Rate, Country, Rate, Country, Rate, Country, Rate.

US TREASURY BOND FUTURES

Table with columns: Issue, Price, Issue, Price, Issue, Price, Issue, Price.

US INTEREST RATES

Table with columns: Instrument, Rate, Instrument, Rate, Instrument, Rate, Instrument, Rate.

NOTIONAL SPANISH BOND FUTURES

Table with columns: Issue, Price, Issue, Price, Issue, Price, Issue, Price.

NOTIONAL FRENCH BOND FUTURES

Table with columns: Issue, Price, Issue, Price, Issue, Price, Issue, Price.

BENCHMARK GOVERNMENT BONDS

Table with columns: Country, Coupon, Price, Yield, etc.

OTHER FIXED INTEREST

Table with columns: Instrument, Rate, Instrument, Rate, Instrument, Rate, Instrument, Rate.

EURO BOND FUTURES (MATIF)

Table with columns: Issue, Price, Issue, Price, Issue, Price, Issue, Price.

EURO BOND FUTURES (MATIF) Paris Interbank offered rate

Table with columns: Issue, Price, Issue, Price, Issue, Price, Issue, Price.

EURO BOND FUTURES (MATIF) FF500,000

Table with columns: Issue, Price, Issue, Price, Issue, Price, Issue, Price.

EURO BOND FUTURES (MATIF) FF100,000

Table with columns: Issue, Price, Issue, Price, Issue, Price, Issue, Price.

EURO BOND FUTURES (MATIF) FF250,000

Table with columns: Issue, Price, Issue, Price, Issue, Price, Issue, Price.

EURO BOND FUTURES (MATIF) FF100,000

Table with columns: Issue, Price, Issue, Price, Issue, Price, Issue, Price.

EURO BOND FUTURES (MATIF) FF500,000

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EURO BOND FUTURES (MATIF) FF100,000

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EURO BOND FUTURES (MATIF) FF100,000

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EURO BOND FUTURES (MATIF) FF100,000

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EURO BOND FUTURES (MATIF) FF100,000

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EURO BOND FUTURES (MATIF) FF100,000

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EURO BOND FUTURES (MATIF) FF100,000

Table with columns: Issue, Price, Issue, Price, Issue, Price, Issue, Price.

EURO BOND FUTURES (MATIF) FF100,000

Table with columns: Issue, Price, Issue, Price, Issue, Price, Issue, Price.

Advertisement for Commonweath Bank Australia, featuring text about U.S. \$7,000,000 undated floating rate notes and other financial products.

Handwritten Arabic text: سوق المال

US COMMODITIES PRICES

Table with multiple columns: BASE METALS, ENERGY, GRAINS AND OIL SEEDS, SOFTS, SOFTS continued, MEAT AND LIVESTOCK. Each section contains price data for various commodities like copper, oil, wheat, and cattle.

FT GUIDE TO WORLD CURRENCIES

Table listing exchange rates for various countries including Algeria, Argentina, Australia, Brazil, Canada, etc., with columns for currency type and rate.

THE PAKISTAN FUND

Table showing 1996 FINAL RESULTS with columns for financial metrics like Net Asset Value, Income, and Dividends.

UK Business Property

Advertisement for UK Business Property survey on Friday, September 13. Text describes the survey's focus on investment market requirements and contact information for Courtney Anderson.

International Trade Finance advertisement. Text: 'International Trade Finance is a fortnightly newsletter available on subscription, providing information and analysis on trade and project finance. Published by FT Financial Publishing...' Includes contact details for Charlotte Green.

Garrard advertisement featuring an image of a watch. Text: 'You have to have reached dizzy heights to own a watch like this from Garrard. About 40,000ft.' Includes the Garrard logo and address.

THE ROYAL BRITISH LEGION advertisement. Large text: 'FIRED at a pilot over Kuwait, it hit a child in Leicester.' Text describes the Legion's work with disabled veterans and their families.



FT GUIDE TO THE WEEK

MONDAY 5

Korean presidents' trial

The trial for sedition of South Korean presidents Chun Doo-hwan and Roh Tae-woo is scheduled to end. Prosecutors are expected to ask for the death penalty, although this is thought an unlikely outcome when the court announces the sentence in mid-August.

Sao Paulo curbs car use

Brazilian motorists in traffic-jammed Sao Paulo, the largest and most polluted city in South America, must leave their cars at home one day a week from today until the end of the month.

Returning for 10m videos

Work starts on returning nearly 10m videos and television sets in the UK, in preparation for the launch of Channel 5, the terrestrial television channel, on January 1.

Bosnian poll deadline

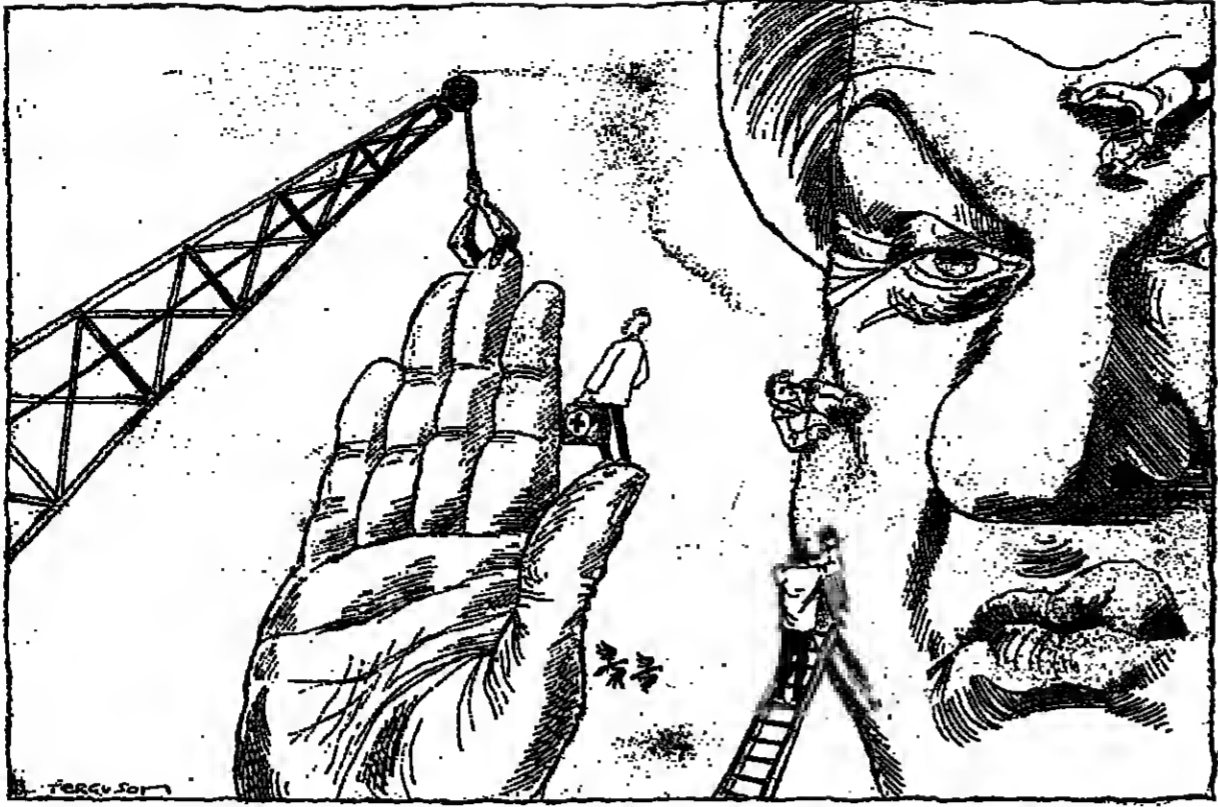
Electoral registration closes for Bosnians living outside the former Yugoslav republic who intend to vote in the September elections.

Building society subsumed

After 150 years of northern thrift, National & Provincial, until today the UK's seventh-largest building society, disappears as a brand as it is formally subsumed into Abbey National.

Public holidays

Australia (New South Wales and Northern Territory), Bangladesh, Canada (except Quebec), El Salvador, Irish Republic, Scotland, Bahamas.



Full support: Boris Yeltsin is sworn in as Russian president on Friday, but attention will be focused as much on his health as the pomp

TUESDAY 6

Buenos Aires gains mayor

Fernando de la Rúa, a member of Argentina's Radical party, takes over as the first elected mayor of Buenos Aires after his resounding victory in May elections over the Peronist party.

Japan bomb anniversary

In the week of the 51st anniversary of the dropping of atomic bombs on Hiroshima and Nagasaki, the Japanese mark the occasion with traditional solemnity.

Olympic show in Athens

Athens stages an extravagant official welcome for Greece's eight Olympic medalists at Atlanta.

UK water company in court

The UK Department of the Environment takes South West Water, one of the UK's nine privatised water and sewerage companies, to court for the alleged contamination of its water supplies.

Rowing

World championships, Strathclyde, Scotland (to Aug 11).

Equestrianism

Dublin Horse Show, Ireland (to Aug 11).

Public holidays

El Salvador, Bolivia, Grenada, United Arab Emirates, British Virgin Islands.

WEDNESDAY 7

Gambia democracy vote

Gambians vote on a new constitution to prepare for the return of democratic rule. Captain Yaya Jammeh, who leads

UK inflation report

The Bank of England publishes its quarterly report on the outlook for UK inflation. Eddie George, the governor of the Bank, disagreed with the chancellor's decision to cut interest rates to 5.75 per cent on June 5.

Communists reorganise

Russia's Communists are holding a congress in Moscow to remodel themselves as a coalition of communist and nationalist forces, following their candidate's loss in the presidential election last month.

Argentine strike called

The CGT trades union congress is calling a general strike to protest against measures aimed at cutting workers' pay, through ending tax exemption on luncheon and supermarket vouchers and trimming wage supplements.

Cricket

Second Test, England v Pakistan, Headingley, Leeds (to Aug 12).

Golf

US PGA championship, Louisville, Kentucky (to Aug 11).

Public holidays

Iraq, Tanzania.

THURSDAY 8

Argentine strike called

The CGT trades union congress is calling a general strike to protest against measures aimed at cutting workers' pay, through ending tax exemption on luncheon and supermarket vouchers and trimming wage supplements.

Cricket

Second Test, England v Pakistan, Headingley, Leeds (to Aug 12).

Golf

US PGA championship, Louisville, Kentucky (to Aug 11).

Public holidays

Iraq, Tanzania.

FRIDAY 9

Yeltsin inauguration

In the first ceremony of its kind, Boris Yeltsin is to be inaugurated as president of Russia after his decisive victory in elections last month.

Public holidays

Singapore, South Africa, Ecuador.

SATURDAY 10

Uster Protestants march

Northern Ireland faces further sectarian clashes when local Catholic nationalists seek to oppose a Protestant march by the Apprentice Boys in Londonderry, marking the siege of the city by the Catholic forces of King James II in the 17th century.

New president for Ecuador

Abdala Bucaram takes office as Ecuador's president after his surprising eight-point victory in the July 7 election.

virulent campaign, with attacks on the concentration of political and economic power, promises of more houses, basic services, health and education, and a continued role for the state as employer. His platform won him the support of poorer voters, but unnerved businessmen and foreign investors.

Athletics

IAAF grand prix meeting, Monte Carlo.

SUNDAY 11

Perot seeks nomination

Ross Perot, the Texan billionaire, and Richard Lamm, the former Colorado state governor, seek the nomination of the Reform party as US presidential contender.

Edinburgh festival opens

The 50th Edinburgh International Festival opens. Among the artists appearing over the next three weeks are the Mark Morris and Pina Bausch dance companies and the Russian National Orchestra.

Mugabe marks Heroes' day

Robert Mugabe, the president of Zimbabwe, marks Heroes' day with his customary address. Surrounded by giant bronze statues and panels, Mr Mugabe has previously used the occasion to launch attacks on whoever is unpopular with the ruling party.

Athletics

Bupa international meeting, Sheffield, England.

Motor racing

Hungarian grand prix, Budapest.

Public holiday

Zimbabwe.

Compiled by Nick Maughan-Smith. Fax: (+44) (0)171 573 3194.

ECONOMIC DIARY

Statistics to be released this week

Table with columns: Day Released, Country, Economic Statistic, Median Forecast, Previous Actual, Day Released, Country, Economic Statistic, Median Forecast, Previous Actual. Includes data for UK, Japan, Germany, US, Denmark, Canada, Spain, and Switzerland.

Other economic news

Monday: UK factory output is thought to have risen in June, having stagnated during May as companies shed stocks of unsold goods.

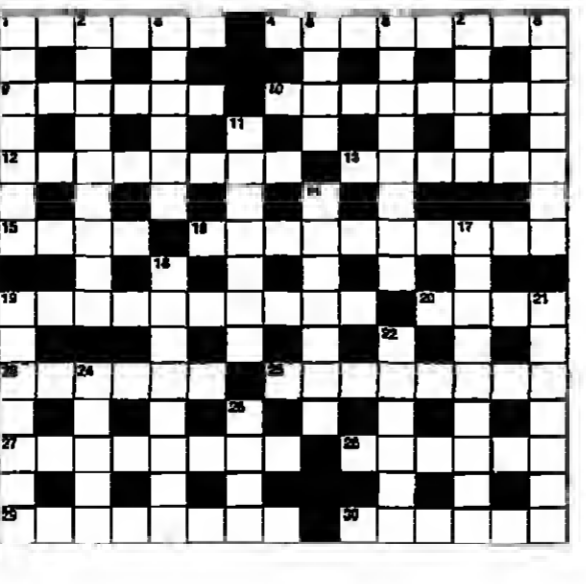
Tuesday: Unemployment in western Germany is forecast to have risen a little faster last month than it did in June.

Wednesday: Annual growth in US consumer credit is expected to have decelerated in June, with credit card use remaining under downward pressure.

Thursday: The board of the Swedish Riksbank meets. The unemployment rate in Australia is thought to have risen last month, with the same true of Denmark in June.

- ACROSS 1 Stock controller's pen (6) 4 Scope for capital growth (8) 9 Change colour (6) 10 Old soldiers scared to get involved (8) 12 Nevertheless, netting first and last service (8) 13 Information a girl found in Switzerland (6) 15 Wrestling with a problem, love! (4) 16 The greatest amount of pride (5,5) 19 Work on site can cause obstruction (10) 20 Slight damage to essential part of computer (4) 23 One's doctor gives one two notes to take in (6) 25 Main line terminals (6) 27 Music of the Depression (6,5) 28 Rob irregular corporal of horse (6) 29 Intend to go into action despite loss of rank (6) 30 Contact these to see touching spectacles (6)

- DOWN 1 Lettuce goes down for pets (7) 2 Did it show the way to Mafeking? (6,3) 3 Unwilling to make up a piece of poetry (6) 5 It's still a female name (4) 6 Press for a reduction? (6) 7 Love to have a tea break about five. Like an egg? (5) 8 It involves a rubber as games need revising (7) 11 Comes into service? (7) 14 Gives voice and breaks the tension (7) 17 The followers stand here when assembled (8) 18 She is a beautiful Italian (8) 19 Possibly time to take a large number left out (7) 21 Devil's arms (7) 22 Rare tiffs with a sweetheart (6) 24 Variety of amber or yellow fish (5) 26 Nothing more than two notes (4)



MONDAY PRIZE CROSSWORD No.9,138 Set by DANTE

A prize of a Pelikan New Classic 280 fountain pen for the first correct solution and five runner-up prizes of 250 Pelikan vouchers will be awarded. Solutions by Thursday August 15, marked Monday Crossword 9,138 on the envelope, to the Financial Times, 1 Southwark Bridge, London SE1 8ET. Solution on Monday August 19. Please allow 28 days for delivery of prizes.

Name: Address: Winners 8,126 Solution 8,126

Dr M. Sleightholm, Otley, West Yorkshire. V. McNamara, Southport, Lancashire. S.E. Mundell, Newton Aycliffe, Co Durham. Sarah Mussard, Swindon, Wiltshire. C. Sutherland, Edinburgh. R. Wilson, Croston, Lancashire.

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Main table containing fund names, descriptions, and prices. Includes sections for 'LUXEMBOURG (REGULATED)', 'Luxembourg Asset Management S.A.', 'Luxembourg Global Fund (REGULATED)', and various international and regional funds.

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MANAGED FUNDS NOTES
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NEW YORK STOCK EXCHANGE PRICES

Main table of stock prices with columns for stock symbols, prices, and changes. Includes sub-sections for various market segments.

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سوق الأوراق المالية

Continued on next page

صحة من الامل

4 pm close August 26

NYSE PRICES

Table of NYSE stock prices including columns for stock name, price, change, and volume. Includes sub-sections for 'Continued from previous page', 'A-Z', and 'X-Y-Z'.

NASDAQ NATIONAL MARKET

4 pm close August 26

Table of NASDAQ National Market stock prices including columns for stock name, price, change, and volume. Includes sub-sections for 'Continued from previous page', 'A-Z', and 'X-Y-Z'.

AMEX PRICES

4 pm close August 26

Table of AMEX stock prices including columns for stock name, price, change, and volume.

Advertisement for 'Spain' featuring the slogan 'Have your FT hand delivered in Spain.' and 'Gain the edge over your competitors by having the Financial Times delivered to your home or office every working day.' Includes contact information for Madrid: 337 00 61.

AMERICA

Dow follows bond market downwards

Wall Street

US stocks followed the bond market down yesterday morning on concerns that the Federal Reserve might move to push interest rates up next month, writes Richard Tomkins in New York.

At 1 pm, the Dow Jones Industrial Average was down 35.18 at 5,690.56, the Standard & Poor's 500 was off 3.83 at 853.41, and the American Stock Exchange composite was 0.48 lower at 660.46. NYSE volume was light at 168m shares.

Bonds extended Friday's losses because of continuing worries that the economic slowdown was not proceeding as expected, leading to the possibility of an increase in interest rates at the next meeting of the Federal Open Market Committee.

Some relief came from the figures for existing home sales in July, which showed a decrease of 0.5 per cent. This indicated that higher mortgage rates, which have been pushed up by rising bond yields, were dampening economic activity.

There was a bounce-back in tobacco stocks prompted by a favourable verdict in an Indiana court after Friday's close. Philip Morris was up 2 1/2% at \$90, an increase of 3 per cent, and RJR Nabisco was up 1 1/2% at \$26, an increase of 5 per cent.

However, President Bill Clinton's announcement of a crackdown on cigarette advertising prompted worries about profits in the billboard sector. Universal Outdoor was down 5% at \$24.

The takeover of MFS Com-

EUROPE

Profits and weekend criticism hit Lufthansa

Lufthansa lost another DM1.20 at DM206.80 in Frankfurt, extending its decline to a fifth since it peaked four months ago. Profits fell 37 per cent at the half-way stage and, while it forecast a second half recovery, aspects of the flag airline's pricing and marketing policy also came in for criticism over the weekend.

The broad market, meanwhile, was looking at declines in the dollar, bonds and the Dow, and the Dax index responded with a fall of 7.70 to 2,554.42. Dealers said that the absence of the London market on a day's holiday had dulled activity; turnover showed the effect, falling from DM4.5bn to only DM3bn.

SKW Trostberg, the specialty chemicals offshoot of Viag, led the day's winners with a rise of DM1.35, or 3.5 per cent to DM39.40 on its acquisition of the Zurich-based MST, a construction chemicals group, from the Swiss major, Sandox. SKW also announced a 9 per cent rise in first half operating profits.

Back on the losing side, Linde, Europe's leading forklift hauler, fell DM6 to DM931. Analysts were expecting pre-tax profits at the group to rise between 11 and 20 per cent in today's interim report.

PARIS entertained rumours that there might be a FRF1,400 per share buyout offer for Roussel Uclaf from Hoechst of Germany, the majority stakeholder. Roussel's shares rallied FRF65 or 6 per cent to FRF1,165.

A spokesman for Roussel firmly denied the rumour, which appeared to have been generated by an item in the weekend press. Hoechst has a 55 per cent stake in the French company.

The CAC-40 index settled off 0.40 at 2,020.42. Turnover was just FRF1.7bn. Scor gained FRF2.80 or 1.4 per cent to FRF197.80 on good first half sales, but Sella dipped 20 centimes to FRF208.30 as a domestic broker dropped the tobacco company from its recommended list.

AMSTERDAM was enlivened once again by Nutricia. There was no stopping the food company's shares; they raced forward another FL1.40 to FL214.10 as some investors caught up with the company's positive half year results, released last Thursday night, as well as its upbeat forecast for the rest of the year. Since the results

came out the shares had rallied by nearly 12 per cent. The AEX index, in contrast, eased 4.54 to 356.19. EPN, the telecommunications group, was a casualty of profit-taking following Friday's announcement of an 8.5 per cent rise in profits at the interim stage. The shares fell FL1.90 to FL68.70 in high volume of 3.3m shares.

IHC Caland, the shipbuilding and engineering company, was also confident about prospects for the rest of the year, after releasing half year figures yesterday. The stock dipped FL2.40 to FL80.70, but since the start of the year had gained 60 per cent at yesterday's close. Although the half year results were slightly below analysts' expectations IHC forecast a 20 per cent increase in full year earnings over the 1995 period.

Another engineer, Stork, was carried through to a session high of FL51.90 after announcing late on Friday that its Fokker Aviation division had won a major order. But in sluggish trade the shares closed 20 cents with a gain of just 20 cents at FL51.00.

Gist-Brocades, the biochemicals and food group,

was up 50 cents at FL55.60 ahead of six month figures which were expected to become available on Thursday. Analysts were forecasting an improvement in profit of some 15 per cent.

ZUCHE moved gingerly into a big week for results. Roche certificates fell SFR50 to SFR1,430 ahead of its figures today, and Ciba registered by SFR5 to SFR1,558 in advance of an interim report tomorrow. Sanofi, due to merge with Ciba into Novartis, reports on the same day; its shares rose by a franc to SFR1,465 but this, according to analysts, may have been due to the sale of the group's M&C subsidiary to SKW Trostberg.

The Swiss index fell 10.7 to 3,714.72 on low volume. Swiss Ra advanced SFR5 to SFR1,250, said that it would not comment on rumours that it was interested in the Mercantile & General (M&G) reinsurance unit of Prudential of the UK, but added that there would be clarity over the situation in a few days.

MILAN fell sharply as worries about the political situation began to re-surface. The MIBtel fell 120 or 1.2 per cent to 9,900, while the Comit fell 5.88 or 1 per cent to 602.82.

COPENHAGEN analysts mull over the prospects for upcoming progress reports, and a number of them were less than enthusiastic: lower profits were seen for East Asiatic, which duly fell DKR2.15 to DKR114.85, and for Tele Danmark, an underperformer since the early spring of this year, which was unchanged at DKR275 ahead of tomorrow's half-year figures.

The KFN index, which had been bobbing around near its all time high, fell 0.44 to 119.36 in turnover of DKR773m. A result on the day, combining a slump in half year profits with a forecast of a higher full-year result at NKT, the wire and cable maker, left NKT DKR7 lower at DKR300.

HELSINKI had its ups and downs. Up went Fiskars, the consumer goods group, FM13 better at a new year high of FM509 on higher than expected half year profits; but down went the wholesaler and retailer, Kesko, FM1.80 lower at FM73 as a block of 2.5m shares worth FM182.5m went through the market. The Hlx index rose 4.22 to 2,131.31.

Other fallers included ENI, down L110 to L6,696 and Fiat off L65 to L4,725. MADRID saw its lowest turnover of the year, a mere Ptas10.5bn as this general index eased 2.14 to 355.31. Repsol fell Ptas35 to Ptas4,040 after four of its workers died when a boiler exploded at its Puertollano refinery.

Written and edited by William Cochrane and John Pitt

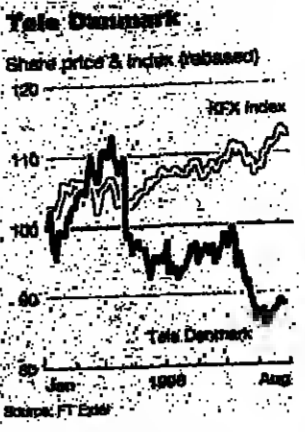


Table: Nikkei 225 Average (Share price & index, adjusted)

Canada

Toronto highlighted banks, with interim reports imminent, and golds as the TSSE 300 composite index eased 2.72 to 5,190.29 at noon. Volume fell from 38.75m shares to 35.5m but Scotiabank traded in 1.5m shares as it rose 40 cents to C\$34.20 and Kinross, up 25 cents to C\$11.25, in 770,000.

There was action in industrials, too, as Rogers Telecommunications said that its chief financial officer had resigned to "pursue other interests". The B shares were off 30 cents at C\$9.75, a new year's low.

SOUTH AFRICA

Some of the best gains yesterday were seen in gold, miners and financial shares, although overall activity was modest. Industrial shares struggled to retrace losses in subdued trade.

The overall index was off 6.7 at 6,857.5, industrials fell 9.5 to 7,724.3 and golds were up 19.1 to 1,759.1. Malbak was up 80 cents or 4.2 per cent at R19.90.

ASIA PACIFIC

Seoul in turmoil on sentencing of corporate heads

The sentencing of a number of leading business figures left SEOUL in turmoil. While the imposition of jail sentences on the chairman of Samsung and eight other corporate bosses came after the close of trading, the composite index anticipated the worst, losing 15.24 to 786.80, its lowest level for 33 months. Volume was a low 18m shares.

Mr Lee Kum-hee, the head of the Samsung group, was found guilty by the Seoul district criminal court, along with eight others, of bribing Mr Roh Tae-woo, the former president. Mr Lee was given a two year sentence suspended for three years, and most analysts felt that it was unlikely that he would be imprisoned. However, the chairman of the Daewoo, the chairman of the Hanho Group, and the chairman of the Jinro group were each sentenced to a jail term of two years.

Samsung Electronics fell Won3,900 to a new year's low of Won62,000, while Samsung Company, the group's trading division, lost Won700 to Won11,900.

Brokers felt that the loss in Samsung Electronics could also be attributed to worries about a decline in the worldwide demand for semiconductors.

The insurance sector was one of the hardest hit, losing nearly 5 per cent as a group on rumours that the government would investigate those companies said to be involved in the creation of the slush funds for two former presidents.

Samsung Fire & Marine Insurance fell Won19,000 to Won42,000 and LG Insured, whose shares had risen to show better results with the rebound in the economy. SAO PAULO was off 1 per cent by midday as a number of investors began to worry about a public debt problem. The Bovespa index was off 789 at 61,238.



Table: Nikkei 225 Average (Share price & index, adjusted)

charges against the company over its handling of untreated blood products during the 1980s.

Honda Motor was one of the low brier spots of the day, rising Y10 to Y2,550. Investors were encouraged by its announcement that it will post a record consolidated net profit, thanks to the weaker yen and the popularity of its recreational vehicles. Other car stocks were lower, however, with Toyota down Y20 to Y2,680 and Nissan falling Y26 to Y835.

Japan Tobacco lost Y10,000 to Y799,000 on the move by the US government to treat nicotine as a drug and to control cigarette advertising. Some investors feared that

the US decision could affect sales of cigarettes in Japan. Supply concerns hit the banking sector, with some banks stepping up their funding programmes in order to meet international capital ratio requirements set by the Bank of International Settlements. Sakura Bank lost Y50 to Y1,030.

In Osaka, the OSE average fell 315.04 to 21,896.85 in volume of 42.7m shares. Maruta MG, a machinery maker, fell Y100 to Y3,980 on selling by individual investors.

Roundup

SYDNEY's bond market took a mauling after the weakness in US Treasuries last Friday, this flowed through

into equities and the All Ordinaries index fell 10.6 to 2,282.1 in turnover down from A\$740m to A\$617m.

The aluminium producer, Comalco, tumbled on sharply lower first half profits, losing 38 cents at A\$7.10 after a 49 per cent drop in net profits and an interim dividend cut from 12 cents to three cents. CRA, which owns 70 per cent of Comalco, lost 12 cents at A\$19.58.

BANGKOK gave up 1 per cent, the SET index easing 11.29 to 1,095.44 in turnover of Bt1.9bn. The uncertain political situation remained uppermost in the minds of investors, with the coalition government due to face a censure motion next month. Finance stocks were sold

Mexico City eases on profit-taking

Profit taking continued in MEXICO CITY, although activity was generally weak. The IPC index was down 5.83 at 3,358.54 at midday.

The market has risen by 19 per cent in dollar-adjusted terms since it hit a mid-year low on July 15, writes Leslie Crawford in Mexico City.

The country is now becoming the favourite regional destination of emerging market investors as it comes out of recession, and the government shifts its focus from austerity to policies aimed at encouraging growth.

However, a number of factors account for the rally, brokers say. First of all, the rebound to the US equity market and steady US interest rates have helped.

But more significant has been the improvement in the domestic economy.

"What is important is that Mexico is returning to 1994 levels of economic activity much more quickly than the financial and retail sectors will begin to show better results with the rebound in the economy. SAO PAULO was off 1 per cent by midday as a number of investors began to worry about a public debt problem. The Bovespa index was off 789 at 61,238.

begin to relax its austerity program on the way to President Ernesto Zedillo, who delivers his state of the nation address on September 1, is expected to outline more growth-oriented policies and reinforce the general mood of optimism.

The finance ministry has a small fiscal surplus which it will aim to spend in the remaining months of the year, while the central bank intends to inject more liquidity into the money markets by reducing reserve requirements for banks.

However, Mr Felix Baul, an economist with Midiana James Capel, cautions that it may be a while before a healthier economy begins to improve the performance of companies, the results of which were disappointing in the second quarter.

"Corporations are not yet reflecting the rally we are seeing in macro-economic figures," he says. Nevertheless, he expects the financial and retail sectors will begin to show better results with the rebound in the economy.

SAO PAULO was off 1 per cent by midday as a number of investors began to worry about a public debt problem. The Bovespa index was off 789 at 61,238.

FT/S&P ACTUARIES WORLD INDICES

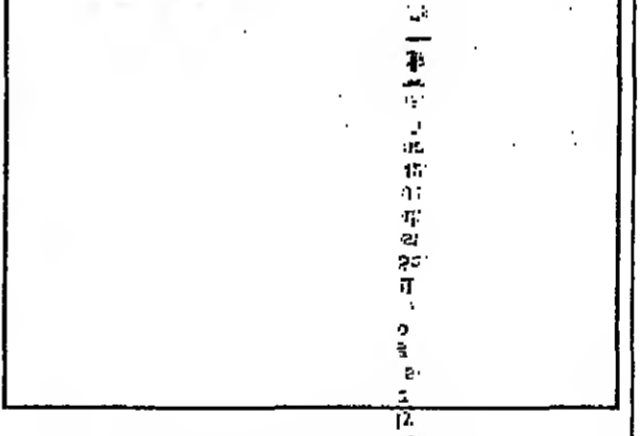
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Table with columns for REGIONAL AND NATIONAL MARKETS, Friday August 23 1996, and Thursday August 22 1996. It lists various stock indices and their performance over time.

Tokyo

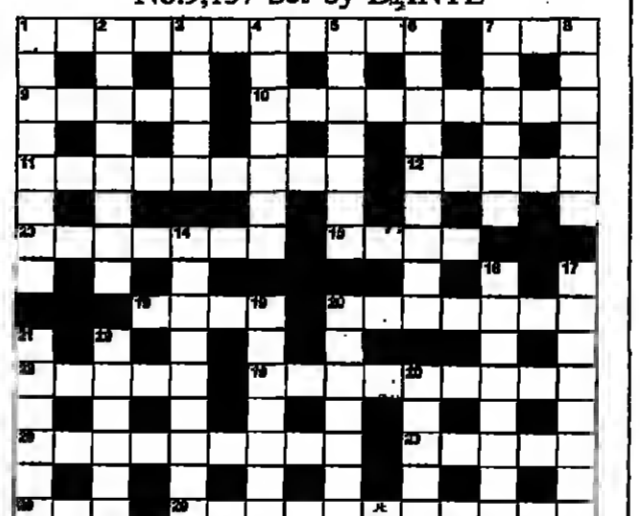
Activity eased ahead of Wednesday's release of the

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CROSSWORD

No.9,157 Set by DANTE



- ACROSS: 1 It assesses the driver to go up rather than down (11), 7 An act of duplicity (3), 9 Marx's fashionable circle (5), 10 Retaining a school punishment (7), 11 Western hero with superlative steed (8), 12 The English opening used in tournament (6), 13 Con man returns in disgrace (7), 15 An opening possibly lost (4), 18 Employer provides a course in the City (4), 20 Revive with a little relaxation and a mineral (7), 23 Innocent one in church body (5), 24 Kid-off just terrible (9), 25 Turned up in France (9), 27 In decimal it represents 1/3 (4 points) (5), 28 Performed - and can return for an encore (3), 29 Be good enough to give pagomen hearty meals (4,4).

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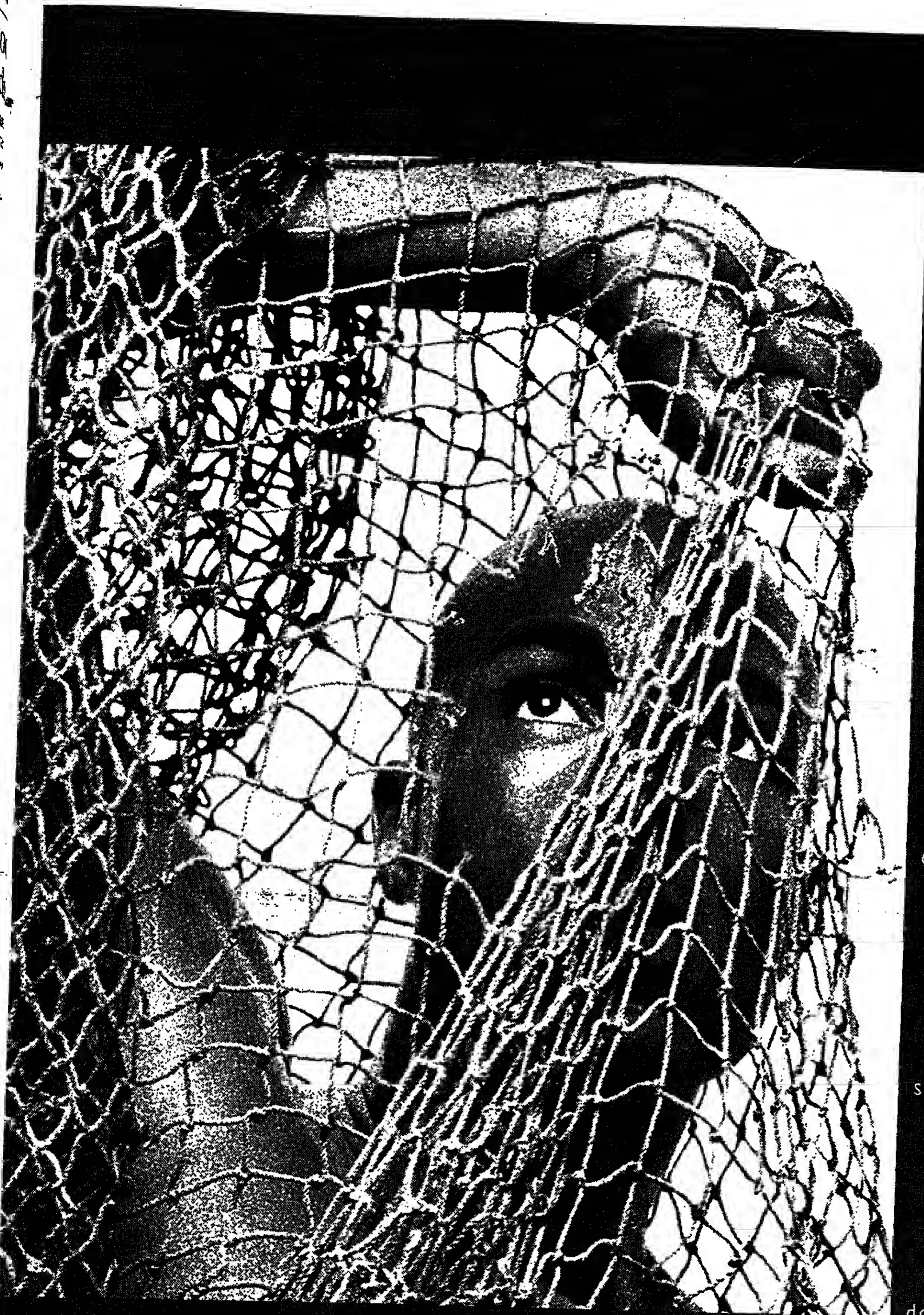
The Financial Times plans to publish a Survey on

India

on Monday, November 11

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ARTS

Forgotten talent rediscovered

William Packer on the Edinburgh galleries

Arthur Melville, at Bourne Fine Art, was a virtuoso in his preferred medium of water-colour...

through the associative abstraction of William Johnstone and the sharp focus of James Mackintosh Patrick...

Landseer and Winterhalter. But what makes her truly remarkable is that, failing to achieve the final success of royal patronage at home...

But what makes her truly remarkable is that, failing to achieve the final success of royal patronage at home, she twice took herself off to St Petersburg...

Hers is an odd and sad story, but the work, within the conventions of the portraiture of her time, stands up very well, fresh, strong and thoroughly professional.

Speaking Likeness at the Scottish National Portrait Gallery deserves mention, if only for being such a good idea. It is, at one level, merely an anthology from the collections...

Tam O'Shanter by Alexander Goudie fills the Freemasons' Hall with nearly 60 canvases, many large and all



'Children with a parrot', 1850, by the remarkable Scottish artist Christina Robertson

substantial, that carry us into the high tradition of the great Victorian illustrators, but larger than life. Goudie knows his stuff, and if occasionally he over-reaches himself...

tail-less Meg, his faithful grey mare, is all done in the high tradition of the great Victorian illustrators, but larger than life. Goudie knows his stuff...

Arthur Melville 1855-1904: Bourne Fine Art, Dundas Street, until August 31, then to the Fine Art Society, London. Heartland and Gateway to the Old Silk Road...

Corak: City Art Centre, Market Street, until October 5. Speaking Likeness: Scottish National Portrait Gallery until September 30...

Musical Kiss the Sky

As the pub that the Bush Theatre inhabits is being refurbished, it has had to go into exile to the Shepherd's Bush Empire bar next door...

A "musical happening". Cartwright plays with the idea that in the superb 1960s music and incredible naïfness existed side by side.

This is placed in a Lancashire version of the festival in a field - only less muddy. The band performs Sixties classics while the MC (Rob Jarvis, hugely enjoyable as a man who fancies anything to bell-bottoms...

Between the songs, the monologues of Arab orthodox traveller Alan Williams takes us on a kind of psychedelic package tour. He encounters happenings, squats, good trips, bad trips, sex in Amsterdam, cosmic stew in India...

Between the songs, the monologues of Arab orthodox traveller Alan Williams takes us on a kind of psychedelic package tour. He encounters happenings, squats, good trips, bad trips, sex in Amsterdam, cosmic stew in India...

The City Art Centre has three shows, each quite distinct. Heartland is drawn upon the City Council's own collection of landscapes by Scottish artists of this century...

Inés de Castro

Richard Fairman on James MacMillan's first full-length opera

Selling a new opera is that much easier when people recognise the composer's name. After an early run of successes and a lot of noisily-orchestrated hype on all sides, James MacMillan has attained a remarkable degree of celebrity for a young classical composer.

fit to be filed away on the shelves labelled "for doctoral theses only". He has done his level best to be approachable and it seems ungrateful to complain that what we are given is little more than an assembly-line opera.

Anybody familiar with a young classical composer. For his first full-length opera, Inés de Castro, the Edinburgh Festival and Scottish Opera joined forces to provide Scotland's best-known composer with a prominent platform on which to launch his operatic career.

For the bloodthirsty final tableau Pedro exhumed Inés's corpse to sit on the throne beside him, while the state executioner has just finished an inventory of gruesome tortures (Christopher Purves hitting the right tone of lip-smacking relief). It is a tall order for the composer to switch styles skillfully enough to keep up: MacMillan plunders Shostakovich for his satirical moments, but fails to find music to match the strangeness of the ending.

That, unfortunately, is where Inés de Castro's weakness lies. MacMillan's score is not stamped with any individuality although the orchestral writing recaptures some of the flair of MacMillan's earlier works, and Richard Armstrong and the Scottish Opera orchestra let rip at every opportunity. As each scene works itself up into a frenetic climax of thundering timpani and rasping brass every ten minutes or so, these are many.

The real problem is the vocal parts, which lack character. MacMillan has no trouble setting himself up with promising arias and duets, but nothing like a

memorable tune ever takes a bow. With several large set pieces to his credit, Helen Field tirelessly throws herself into the part of Inés de Castro, but no amount of shining top notes and impassioned singing can do duty for the personality that is not in the music.

Everybody in the cast works hard. Jeffrey Lawton's heavyweight tenor is hardly appealing, but he sings Pedro with the necessary passion. Jack Strachan and Stafford Dean were strikingly contrasted as the evil Pacheco and the good King Elizabeth Byrne played Pedro's unsympathetic wife strongly and Anne Collins gave good value in as the Nurse and Old Woman.

In the last resort, the disappointment is proportional, because expectations had been raised that much too high in advance. MacMillan has gone through the motions of writing a good, old-fashioned opera and audiences will probably be happy to go through the motions of watching it. It is just not the real thing.

Sponsored by Marks & Spencer

Under the terms of the Scottish Arts Council's new funding system, theatre companies are invited to apply to cover specific constituencies, both geographical and artistic.

This is no problem for Gerry Mulgrew of Communicado, who is also committed to vibrant and intelligent storytelling. Communicado's Fringe show this year, Michael Vinaver's Portrait of A Woman, cuts rapidly between courtroom scenes in a French murder trial (based on a real 1951 case) and episodes in the life of Sophie Auzanneau which led up to her killing her lover. Stage space is swiftly and repeatedly redefined as Veronica Lear's Sophie passes through her life and her trial without quite engaging with their realities, infuriating her prosecutors by her inability to recognise remorse.

Twin time-lines also form the structural spine of Enterprising Angels, from Nicole McCartney and Lucy McLeelan's rising Glasgow-based LookOut company. After last year's Easy, this piece sees the company's reach exceeding its grasp: scenes from a Liverpool family's life - full of petty tensions, but no grand dysfunctions - alternate, and sometimes coincide, on stage, with moments from the past recounting the

Traverse fare on the Fringe

depressive disintegration of mother Grainne. For years father Eric has let his younger children believe their mother is dead, until cousin Daniel arrives from Armagh to break the news which eldest child Grace has always known that Grainne, if not exactly well, is certainly alive.

Family drama mingles with the confining nature of ideologies and a slightly uncomfortable use of religious mysticism as a metaphor for personal interaction. McCartney and McLellan's script is immensely thoughtful; McCartney is also skilled at eliciting nicely understated performances from her company. However, as yet Look-Out remains a company of great promise rather than guaranteed delivery.

Surviving Artists are now Traverse regulars in August, more or less alternating between solo pieces for performer Mark Pinkosh and two-handers. Viper's Opium teams Pinkosh with Kathryn Howden as the eccentrically appealing Cricket - so appealing, in fact, that the virtually unheard-of occurs:

a hetero sex scene in a Starving Artists play. Cricket and Curtis are a couple who could almost be perfect, but are crippled by Curtis' rootlessness and Cricket's co-dependence. Pinkosh's partner, writer Godfrey Hamilton, is as richly eloquent as ever, but the overall picture feels a little inchoate. Nevertheless, Viper's Opium is a deeply affecting work informed by a terrifically human sensitivity.

The Joker in the Traverse's pack is Daniel MacIvor of Canadian duo Da Da Kamera. Here Lies Henry is a magnificently oddball construction. MacIvor, as Henry Tom Gallery II, builds from comically uncertain beginnings into a torrent of preposterous mendacity, following a mysterious commission which he reveals an hour later Richard Feren contributes monumental sound sculptures, also treating isolated phrases from MacIvor's radio microphone to create the eerie effect of a disembodied chorus. One of the looper joys of the Fringe is finding a show which leaves one baffled but grinning widely; Here Lies Henry is a perfect example of the type.

Ian Shuttleworth All shows run until August 31 at the Traverse Theatre (0131 228 1404).

Between the songs, the monologues of Arab orthodox traveller Alan Williams takes us on a kind of psychedelic package tour. He encounters happenings, squats, good trips, bad trips, sex in Amsterdam, cosmic stew in India and has a brief flirtation with a leotard-clad theatre company (he is dismissed for having sex in the wings instead of on stage). His story serves as a reminder that this was a party destined to produce a bad hangover; but while these tell-to-the-audience-straight monologues were used cleverly by Cartwright in Hood, here they come over as an awkward device. As our traveller becomes increasingly stoned, they so become increasingly tedious.

The music, however, is wonderful and superbly performed by the on-stage band (under the musical direction of Neil McArthur). Most memorable is Caroo Pascoe, whose show-stopping version of "Piece of My Heart" gives Janis Joplin a run for her money, but all the originality is impressively evoked, from the delicate sound of Joni Mitchell to Hendrix in full throttle.

Mike Bradwell's production treats a nice line between poking fun at the sitting targets - haircuts, beads, pre-dabbable - and playing tribute to the music. The show confirms what one always suspected - that the Sixties consisted of long periods of drivel punctuated by wonderful moments; that the music was great, the fun patchy and that no-one knew when to stop.

Sarah Hemming Shepherd's Bush Empire, London W12 (0181-740 7474).

INTERNATIONAL ARTS GUIDE

AMSTERDAM

CONCERT Concertgebouw Tel: 31-20-5730573 ● Orchestre Française des Jeunes with conductor Mirak Janowak and violinist Isabelle van Keulen perform works by Ravel, Prokofiev and Liszt; Aug 28

BAYREUTH

OPERA Bayreuther Festspiele Tel: 49-921-78780 ● Die Meistersinger von Nürnberg by Wagner. Conducted by Daniel Barenboim. Soloists include Birgitte Svanden, Renee Fleming and Peter Seiffert. Part of the Richard Wagner Festspiele; 4pm, Aug 28

BERLIN

EXHIBITION Berlinische Galerie - Martin-Gropius-Bau Tel: 49-30-254860

BORDEAUX

EXHIBITION Musée des Beaux-Arts Tel: 33-56 10 16 93 ● Greece in Ravolt. Delacroix and the French Painters (1815-1848); this exhibition commemorates the efforts made by French artists and intellectuals to help Greece achieve independence from the Ottoman Empire. The display features works by Delacroix and others; to Sep 8

COPENHAGEN

CONCERT Tholli Concert Hall Tel: 45-83 15 10 01 ● Tholli Symfoniorkester with conductor Ed Kras and viola-player Yuri Bashmet perform works by Schnittke and Tchaikovsky; 7.30pm; Aug 29

DUBLIN

CONCERT National Concert Hall - Cooltras Náisiúnta Tel:

353-1-6711888 ● RTE Concert Orchestra: with conductor Gearóid Grant and presenter Gerry McArdle perform excerpts from The Yeomen of the Guard and The Mikado; 8.30pm; Aug 30

EDINBURGH

EXHIBITION National Gallery of Scotland Tel: 44-131-5588921 ● Velázquez in Sevilla: this exhibition features early works made by Velázquez in his native town Sevilla, before he moved to Madrid in 1623. The display, comprising 50 works including portraits, prints, drawings and sculpture, is centered on the National Gallery of Scotland's own Velázquez, 'An Old Woman Cooking Eggs'. Selected works by the artist's contemporaries help to set the historical and artistic context for Velázquez's early paintings; to Oct 20

LIVERPOOL

EXHIBITION Liverpool Museum Tel: 44-151-2070001 ● The Arts of the Samurai: 14th-19th Century; this exhibition is drawn from the museum's Japanese collections, which have never previously been displayed. The exhibits consist of Japanese armour, swords, sword-fittings and lacquer work from the collection of local business man Randal Hibbert (1865-1942). The exhibition illustrates the European perception of the Japanese following the opening up of Japan

to western trade in 1868; to Aug 28

LONDON

EXHIBITION Courtauld Institute Galleries Tel: 44-171-8732528 ● The Four Elements: this exhibition draws together prints and drawings from five centuries to show the Four Elements - Fire, Water, Earth and Air - in mythology and real life. Mixing together artists from different times and traditions, the exhibition contrasts images of classical stories, domestic scenes and the frankly satirical. Included are works from the museum's collection by Manet, Dürer, Guercino, Bruegel, Gauguin, Hieronymus Bosch, Guardi, Rowlandson, Turner, Samuel Palmer, Constable, Piranesi, Tiepolo and others; to Sep 22 Dufwich Picture Gallery Tel: 44-181-8935254 ● Dutch Flower Paintings, 1600-1750: this exhibition includes works by Ambrosius Bosschaert, Van Huysum, Rachel Ruysch, Jan Davidsz de Heem and Balhuasar van der Ast and are from private collections; to Sep 29 Victoria & Albert Museum Tel: 44-171-9388500 ● Susie Cooper (1902-1985): style, affordability and good design were the key attributes of Susie Cooper's tableware. This memorial display shows a cross-section of her work from the Art Deco years of the late 1920s and 30s through the bone china made by her own factory

LUCERNE

CONCERT Kunsthau Luzern Tel: 41-41-210 35 82 ● New York Philharmonic: with conductor Kurt Masur and horn-player Thomas Stacey perform Forem's English Horn Concerto and Bruckner's Symphony No.4; Aug 28

NEW YORK

EXHIBITION The Metropolitan Museum of Art Tel: 1-212-879-5500 ● American Printmaking 1860-1900: Winslow Homer and His Contemporaries: an exhibition to complement the Homer painting retrospective by providing a context for the artist's printmaking efforts. Drawn entirely from the museum's collection, Homer printmaking from his early and late career is shown along with works by printmakers active during Homer's career; to Sep 22

PARIS

EXHIBITION Musée Carnavalet Tel: 33-1 42 72 21 13 ● Georg Aerni - Panoramas parisiens: exhibition of a series of panoramic views of Paris by the Swiss photographer Georg Aerni; to Sep 29

SALZBURG

OPERA Grosses Festspielhaus Tel: 43-662-80450 ● Moses und Aron: by Schoenberg. Conducted by Pierre Boulez and performed by the Koninklijk Concertgebouworkest and the choir of De Nederlandse Opera. Soloists include David Pittman-Jennings, Chris Merritt, Gabriele Fontana, Yvonne Naef, John Graham Hall and Pär Lindskog. Part of the Salzburger Festspiele; 7.30pm; Aug 28

WASHINGTON

EXHIBITION Freer Gallery of the Smithsonian Institution Tel: 1-202-357-2700 ● In Human Form: Secular and Divine Images in Chinese Painting: this exhibition examines actual and symbolic images of people as they appear in Chinese painting. The human figure has been the central topic of Chinese painting since the Han Dynasty (206BC-AD220); to Sep 2

ZURICH

EXHIBITION Museum für Gestaltung Zürich Tel: 41-1-446 2211 ● Perlen. Aus der Grafischen Sammlung: exhibition featuring highlights of the museum's collection of graphic arts; from Aug 28 to Oct 6

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Martin Wolf

## The politics of growth

The key to understanding why some developing countries are doing better than others lies in the way different state structures respond to economic pressures

In the mid-1950s Ghana and Thailand had much the same income per head: so did Nigeria and Indonesia. By 1994, Thailand's real income per head was almost three and a half times Ghana's and Indonesia's three times Nigeria's. Countries facing the same international economic environment and possessing very similar resources have succeeded wonderfully or failed miserably. Why is this - and can more countries shift from the latter to the former category?

The proximate causes of growth are the rate of investment and its efficiency," argue professors Deepak Lal of the University of California at Los Angeles and H. Myint, formerly of the London School of Economics. In their remarkable book, *The Political Economy of Poverty, Equity and Growth* (Clarendon Press, Oxford). But these in turn are determined by the actions of governments, which can underpin - or demolish - investment opportunities.

Whatever governments can do for development, there are three things they must do:

- Provide the basic public goods, above all security of life and property, at tolerable cost in terms of taxation.
- Ensure fiscal and monetary stability.
- Allow citizens to exploit the global economy.

Too often governments have failed to carry out even this limited list of duties. The Human Development Report from the United Nations Development Programme lists 70 countries with income per head no higher today - and often much lower - than in the 1960s and 1970s. Thirty more have income per head no higher than in the 1980s. In every case, states have failed on one of the above counts, often all three.

Why? The answer demands an understand-

ing of the interaction between politics and economics. Profs Lal and Myint answer persuasively that governments have either failed to understand how to do better, or seen no interest in doing so, or both.

There is almost universal recognition of the disastrous consequences of heavy-handed dirigisme - usually including a bias against trade, needless controls on economic activity, penal taxation of agriculture, promotion of state enterprises and suppression of financial markets. Less understood is how often the goal of "nation-building" has been used to justify such excesses. But the maggot of corruption, tax evasion and illegal activity have then rotted the states such dirigisme was intended to strengthen.

Yet it is to the understanding of interests rather than ideas that Profs Lal and Myint make their most innovative contribution. One helpful way of thinking about the political economy of development, they suggest, is in terms of an economic model with two agricultural products, several

manufactures (produced with different ratios of capital to labour) and three "factors of production" - labour, capital and land.

All developing countries have a higher ratio of labour to capital than the world average. That is what underdevelopment means. But some also possess a higher ratio of labour to land - these are "labour-abundant" countries. More often, developing countries are "land-abundant", with higher ratios of land to both labour and capital than the global average. Or they fall in between, being neither labour- nor land-abundant. Land-abundant countries are underdeveloped, but may not be poor.

A labour-abundant country starts its development with very low real wages and a clear comparative advantage in labour-intensive manufactures. Hong Kong was an example. By contrast, land-abundant countries, such as Argentina, start with higher real wages and no comparative advantage in labour-intensive manufactures.

Labour-abundant countries find it relatively easy

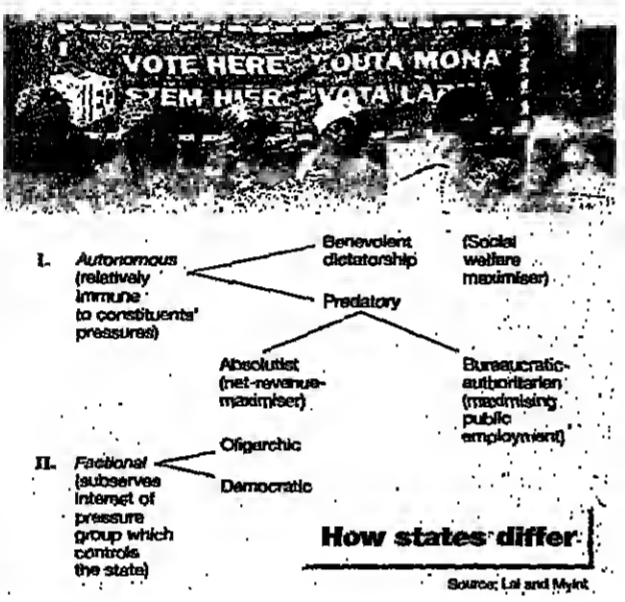
to break into markets for manufactured exports, because their wages are low. Workers in fast-growing labour-abundant countries will also enjoy rising real wages. But land-abundant countries are uncompetitive in labour-intensive manufactures, because their wages are higher. And, it turns out, their workers will experience long periods of stagnant or even falling real wages, unless their capital stock grows very quickly.

To overcome the initial obstacle of its relatively high labour costs, the government of a land-abundant country intent on industrialisation will be tempted to intervene heavily. This helps explain the protectionism and "big-push" industrialisation of Brazil or Mexico. Moreover, such countries will be riven by distributional struggles between those who live off wages and those who live off the returns to land (or other resources).

These economic pressures interact with the structure of the state. Economists too often assume the government is a benevolent maximiser of social welfare. A more realistic view, proffered by Profs Lal and Myint, divides states into two groups: the autocratic, usually despotic, largely free of pressures from the governed; and the factional, where such pressures are the stuff of politics (see chart). Of the 21 countries in the sample studied by Profs Lal and Myint, 11 are classified as factional states, six as predatory autonomous states and just four as benevolent ones.

Benevolent autonomous states, among which are included Hong Kong and Singapore, have performed rather well. But such states are inevitably rare: power and old age tend to corrupt rulers.

Encouragingly, democracies have proved no more hostile to successful eco-



## LETTERS TO THE EDITOR

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## Electronic dream is still hampered by fears of intrusion

From Mr Jack Savidge.

Society's adoption of the "electronic purse", cited in "A world that turns on plastic" (August 23), will take longer than 10 years. Let's look at history.

At 3M Company, in 1994, I pioneered the travel and banking industry adoption of the magnetic strip for credit cards. Then industry had two questions: (1) is this a valid credit card? (2) is the person handing me this card the valid owner? Time and technology have solved question one. However, the question of card carrier validity remains. During the late 1980s and the 1990s, industry evaluated all manner of human biometrics to link the card to the carrier. We all have unique elbow and palm prints, urine, wrist vein and retinal patterns, signature pressures and index finger and big-toe shapes. Consumer panels recoiled at the methods proposed to capture these human identifiers. Even now we feel invaded having our picture on ID cards. Surely it will be a long time before people will stand before an

eyepiece to have their retinas laser scanned.

Now to the long-awaited personal information card. At inauguration, the magnetic strip was forecast to be a pocket storage of medical records, credit data and a re-loadable source of petty cash.

Yet in 1996, after enormous advances in magnetic storage density, the magnetic strip only contains the 13-digit card number and authorisation PIN used as a substitute for keyboard data entry. Will the "smart card" do better? I think not. We must await the next technology, a low-cost, re-usable, CD-Rom-like, optically recorded card. Then, just maybe, we can fulfil the portable electronic document dreams set in motion 30 years ago.

Society will fight personal identifier intrusions while remaining slow to adopt new ways.

Jack Savidge,  
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La Jolla,  
CA 92037, US

## An eye on civil liberties

From Mr Onésimo Alvarez-Moro.

Sir, As standards are being unified on a European basis, we should also look to equalise the Europe-wide list of civil liberties which need to be protected.

Let us start with identity cards and street video cameras. In England, video cameras seem to have become more prevalent than those ubiquitous satellite dishes. The cameras were installed with barely a whimper from civil libertarians. In contrast, the persistent suggestions that

an ID card be introduced there have met with bows of protest. In Spain, where ID cards are more common than credit cards, they are up in arms over the possible installation of video cameras.

I wonder how many pages the European Commission's report to unify standards will take? Sounds like we will need another campaign to "save our forests".

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Barbican,  
London EC2Y 8AX, UK

## Leadership crucial to integration

From Mr Andrew Cecil.

Sir, Michael Stürmer's Europa article, "Resisting the melting pot" (August 16), implies there is a momentum with a subconscious persona fuelling the engine of European integration. Is this really the case?

With the exception of the perceived Frenchman's vision of Europe and what Stürmer describes as the Germans' insecurity about their national dream, I fear that the majority of the other 370m Europeans would agree that European integration is hardly a self-fulfilling development.

I doubt that Jacques Delors, Francois Mitterrand and Helmut Kohl would relish the thought of being informed that they ideal worked towards it being realised in any case, independent of their tireless efforts.

True enough, political union should not be rushed into or "engineered", and similarly questions need to be asked at present about economic and monetary union (Emu), in particular whether it is not being forced upon European citizens, either to satisfy the political ambitions of the ruling elite within Germany or other member states, or based on a mistaken apprehension that unless the Maastricht Treaty is followed Emu is doomed. However, this should not detract from what is self-evident from European history - that without common leadership and shared objectives, Europe's varied economic, social and cultural heritage risks pulling the continent apart.

Andrew Cecil,  
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## A time for diligence

London's Aim junior market has grown fast - perhaps too fast, says Christopher Price

For some investors, the start of the London Stock Exchange's first annual review of its junior market last week could not have come soon enough.

A growing number of those participating in the Alternative Investment Market have been worried by the sharp rise in the number of companies gaining admission, the conduct of advisers and an increase in flotation prices.

They have complained that the rising valuations of companies coming to the market often fail to recognise the high-risk nature of some of the ventures.

The failure of many of the summer's new issues on Aim to rise above their flotation prices has added to the unease.

"Too many companies have been coming too quickly, and there will undoubtedly be casualties as a result," says Mr Geoff Douglas, small companies analyst at Barclays de Zoete Wedd, the investment bank.

But concerns over the regulation of the new market have deepened in recent weeks following a spate of unwelcome developments. These include the censuring of the chairman of Optical Care (Bermuda) for failing to mention his association with failed companies; the resignation of the adviser and broker of Firecrest, the media and information company; and profits warnings from Activa Imaging and Self Sealing Systems.

Matters were not helped by the Securities and Futures Authority inquiry into share dealing in SkyNet Corporation on the Ofsx market, a private unregulated facility which was acting as a springboard for prospective Aim applicants. SkyNet's Aim application has been put on hold pending the outcome of the authority's inquiry.

The concern over the market's regulation is felt by some of Aim's staunchest supporters, who have broadly welcomed the Stock Exchange review of the conduct of advisers, brokers and companies.

"The market's weakness is that due diligence has not been as good as it should have been," says Mr Brian Winterlood, head of Winterlood Securities and the only



Theresa Wallis: Aim is a higher-risk market

marketmaker to deal in all 205 Aim shares. "The consequences of this first review will be enormous. The Stock Exchange needs to get tough - and need to be seen to be getting tough."

The burden of any remedial steps is likely to fall on the nominated advisers - the brokers, accountants, financial advisers and law firms which play a crucial role in regulating Aim.

All companies quoted on the new market must employ one of the 60 so-called "nomads" approved by the Stock Exchange. The nomad is responsible for scrutinising a company's admission documents and ensuring that the directors comply with market regulations. This responsibility does not end at admission, but continues as long as the company trades on the market.

Unlike in the main market, the Stock Exchange plays no direct role in scrutinising Aim companies. Instead it relies on the nomads' desire to protect their reputations as the market's main means of regulation.

However, the popularity of Aim has put the nomads' role under strain. In July, for example, some 25 companies joined it - more than double the monthly average. This led to fears that due diligence duties could suffer.

There are fears of a repeat of what happened on the main Stock Exchange market in 1994, when a rush of new issues was followed by some high-profile corporate problems. The subsequent collapse of one of them, Aerostructures Hamble, the aircraft parts maker, led to questions over the level of scrutiny.

Aim was designed to be a cheap, easily accessible market for young and growing companies. The Stock Exchange has thus been keen to recruit nomads which can offer their services at competitive prices. This has discouraged the bigger, more experienced brokers, which do not see the new market as financially attractive.

Some nomads also argue that companies bank at paying the fees necessary to carry out the correct level of due diligence. This is a particularly time-consuming job with start-up companies, as shares quoted on the new market need no minimum trading record.

The result is that companies are increasingly going to nomads which offer the service at a lower cost - and there are fears that this is leading to lower standards of scrutiny. It is this factor that has led many large institutional investors to stay out of Aim.

Cheaper nomads with lesser reputations to protect are the big danger to this market," says one leading adviser.

Some nomads, such as stockbrokers Rowan Dartington and Teather & Greenwood, have decided not to bring any more companies to Aim in the near future because of its state. Gerrard Vivian Gray, one-time adviser to Firecrest, Optical Care and SkyNet, has hinted that it may quit the new market altogether.

The Stock Exchange dismisses concerns over the nomads and insists it will take appropriate action against any wrongdoing it discovers.

"We have always said that this is a market which is higher-risk, and if it were not structured in the way it is it would not be as accessible to the young, growing companies being targeted," says Ms Theresa Wallis, the market's chief executive.

She also points to the undoubted success of Aim in establishing a platform for young and growing companies to raise capital. Since trading began last June, almost 250m has been raised and the market is capitalised at £4.3bn.

Investor confidence has been underpinned by the strong performance of the UK stock market, which has been reflected in the Aim. More than 65 per cent of shares on the new market are now higher than their admission price.

Aim has also benefited from generous tax breaks for wealthy private investors, who consequently make up a large proportion of its backers. But they, along with many other market participants, will be keeping a close eye on the Stock Exchange's actions as the review unfolds over the coming weeks.

FINANCIAL TIMES TUESDAY AUGUST 13 1996 \*\*

## NatWest takes the lead in corporate banking

By George Graham,  
Banking Correspondent

National Westminster Bank has overtaken Barclays to gain the biggest share of the UK corporate banking market, according to a review by Chartered Banker, the magazine of the Chartered Institute of Bankers.

Lord Alexander, chairman of NatWest, said his bank had been focusing on the corporate market. "It's obviously good news because there is no question of our buying market share by relaxing lending standards," he said.

In a more detailed survey of the 500 largest companies, Chartered Banker found that NatWest was rated by finance directors as the best bank for short and medium-term loans, treasury management, leasing, foreign exchange and international trade finance.

## Enough said.

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Tuesday August 27 1996

The Balkan slowcoaches

It becomes ever more apparent that Bulgaria and Romania have the sickest economies in central Europe. Their present woes are causing the two Balkan states to fall further behind the fast-track reformers, such as Poland, Hungary and the Czech Republic, in former communist Europe. Nominally they have kept pace with other countries from the region in the competition for early membership of the European Union. They have managed to answer all the questions put by Brussels as a prelude to entry negotiations. But economically they look increasingly semi-detached among the 10 EU applicants from eastern and central Europe.

The IMF package addresses these woes, but its tough terms will demand yet more painful sacrifices from a population already burdened by economic dislocation and the need to queue interminably, whether to retrieve their deposits from the crumbling banking system or to buy bread. Not surprisingly, political leaders in Romania show an allergic reaction to comparisons with their southern neighbour. They argue correctly that there are sharp differences in some key fundamentals, not least the two countries' levels of foreign indebtedness. Indeed, while Bulgaria has teetered on the edge of default this year, Romania has been making successful forays into the international capital markets. Until recently it has managed to obtain finer terms on each foray.

The housing benefits mess

Of all the policies that make up the UK welfare state, public support for housing has always been the hardest to get right. Sir William Beveridge tried, and failed, to come up with a solution in his famous 1942 report. He admitted at the time that his proposal would only "make the best of a difficult situation". By any reckoning, however, the present system makes the very worst of it. There are two main problems, both of which have mushroomed in recent years: the cost of means-tested housing support and its pernicious side-effects. Spending on housing benefit is projected to be \$11.1bn during 1996-97, more than double the amount spent in 1988-89 and 10 times the 1979-80 total. There is nothing wrong, in principle, with the government spending \$11.1 bn, or 1 1/2 per cent of gross domestic product, on one segment of social policy. Many rich countries spend much more on different types of housing support. Few, however, spend it on a single benefit. One, moreover, that encourages fraud and long-term dependency on welfare by the unemployed.

These were not the effects the government had in mind when it decided in the 1980s to reduce public subsidies for the construction of social housing in favour of means-tested individual rent rebates. The aims were to reduce the distortions in the housing market caused by having such a large gap between private and social sector rents, and to target housing subsidies to people in need more effectively. Spending much less on "bricks and mortar" subsidies and much more on housing benefit has achieved both objectives. But few would argue that the gains have been worth the unintended costs. Creating ghettos On conservative estimates, at least £1bn of the total housing benefit bill consists of fraudulent claims, many made by private landlords rather than tenants themselves. The government has recently stepped up its efforts to tackle the problem. Doubtless it could, and should, do more. But the most effective anti-fraud controls will not address the worst side-effect of the system - that it gives recipients no incentive to find work or seek cheaper housing, and has made social housing a ghetto for only the very bottom rungs of society.

Policy reversal The various reforms announced in recent budgets have scarcely nibbled at the edges of these problems. This is because seriously addressing the flaws of the system would require a reversal of more than a decade of government housing policy or large amounts of extra spending - or, most likely, some combination of the two. Ministers are not the only ones to have balked at the challenge. Their Labour shadows have been equally wary of promising detailed reforms. There is no simple way out of the housing mess, still less a quick or inexpensive one. Cutting or capping the amount of benefit would give recipients an incentive to find cheaper housing. But it would also hit the pockets of non-working households, many of which - particularly those headed by pensioners and single parents - would need to be compensated. Reformers could leave poor pensioners unaffected by increasing the amount of additional income support which the elderly receive. Likewise, non-working families could be helped by fiddling with housing and in-work benefits to improve the incentives for taking even very low-paid work. But neither measure would come cheap. Nor would the reforms solve the fundamental problem caused by reducing bricks and mortar subsidies: that it has pushed up rents for low-income households just as the starting wage offered to those at the bottom of the labour market has begun to decline. But such a reform package would at least follow Beveridge in seeking to make the best of a difficult situation. The same cannot be said of the status quo.



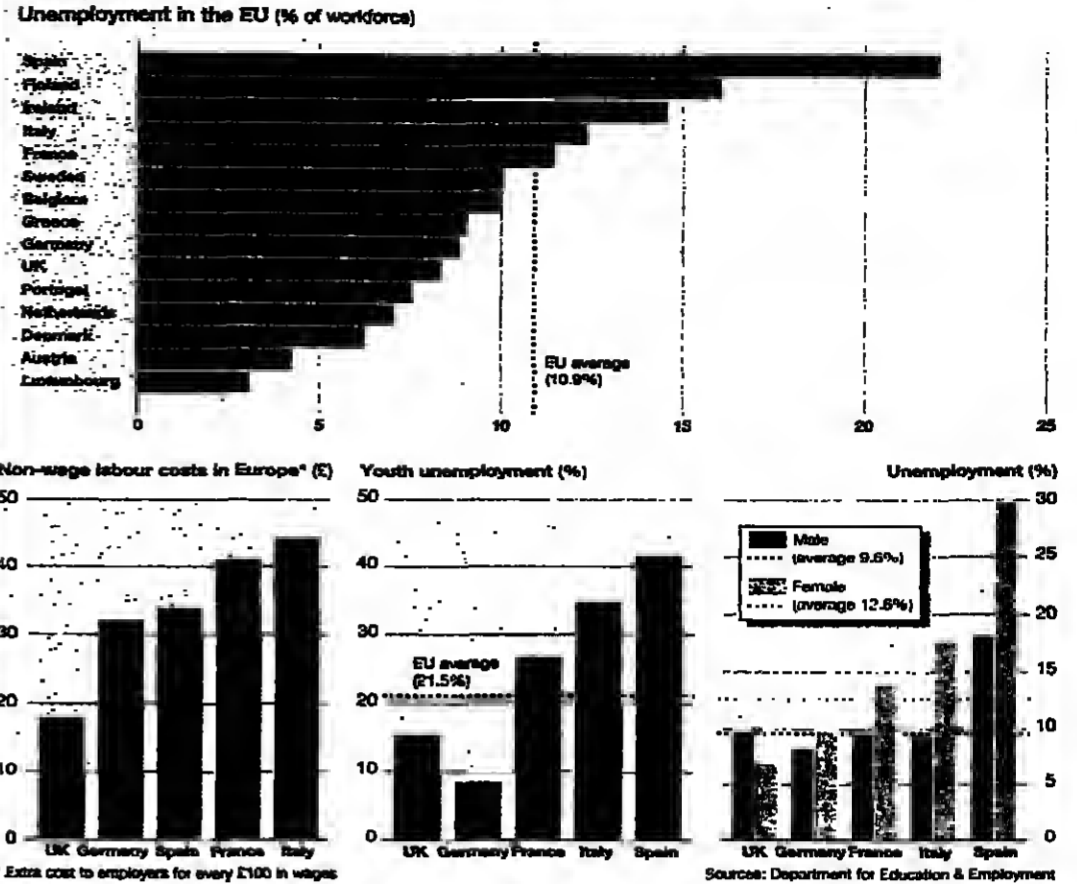
Britain can't work without jobs.

Unions learn to love Europe

Enhanced worker rights delivered by Brussels have helped labour organisations back a strong role for the UK in Emu, says Robert Taylor

The impact of European employment law on the UK labour market will be one of the big issues dividing the political parties at the next general election. Mr John Major, the prime minister, has called the European Union's social chapter, which he refused to sign in 1991, "immoral". Mr Tony Blair, the Labour leader, is committed to the social chapter, although he has assured the business community he will do nothing to injure UK competitiveness. Most UK employer organisations condemn social legislation emanating from Brussels in sweeping terms, claiming it adds costs to business. Mr Graham Mather, Conservative member of the European Parliament and president of the European Policy Forum, the right-wing think-tank, believes the UK's flexible labour market is under threat from the advance of old-fashioned collective bargaining, mandated interference with employment contracts, state-controlled adjustment of working hours and types and patterns of work.

UK and the social chapter: the figures behind the arguments



Source: Department for Education & Employment

But the well-known fears of British employers and the hopes of UK trade unions about the meaning of social Europe which have been expressed in the UK's public debate distort rather than clarify the reality of what is actually covered by the EU's limited social agenda. "There is no sense in which a core of community labour law principles can be identified: outside the areas of equal opportunities and health and safety, harmonisation to date is incomplete and sporadic," says Professor Gillian Morris of Brunel University. "So far EU social legislation has had only a very patchy impact on the UK," agrees Ms Jane Mann, who chairs the Employment Lawyers' Association and is a solicitor with Fox Williams, the London firm. In her opinion the EU's impact has been "significant" in extending sex equality rights and providing protection for employees in business transfers but "insignificant" almost everywhere else. As Lord Wedderburn, the eminent labour lawyer, explains: "The EU's social agenda is little more than a series of procedures. It has not so far even guaranteed internationally recognised core labour standards, like the right of workers to join trade unions and practise collective bargaining as well as the right to strike." Few social measures have actually emerged from Brussels that have made an impact on the UK.

- EU social legislation affecting the UK
1975 Collective redundancies directive
1983 Working time directive
1994 Young workers directive
1996 Posted workers directive

OBSERVER

Well-greased Chicago

Chicago is going overboard to make this week's Democratic party convention more than just a political party, book-ending the convention between an air show and its famous jazz festival. For the Democrats, the city is trying to repair the bloody images the world remembers from the televised riots of 1968, the last time President Bill Clinton's party staged a Chicago convention. Thus the authorities have thoughtfully greased the squeaky status of Civil War general John Logan, standing across the street from the Hilton hotel. Back in '68, protesters mounted Logan, unfurled anti-war banners and taunted police. Peace should reign this time, the 26,000 delegates will barely be noticed. Chicago routinely hosts much larger conventions. September sees the International Manufacturing Technology Show, with perhaps 115,000 free-spending business folks hitting town. That too won't be a riot - it may not even be a ball.

conference organised by his party, the Freedom Union, to commemorate the 18th anniversary of Solidarity's birth. Kuron and his colleagues wanted to remind Solidarity - now slipping towards the populist and nationalist right - that they too played crucial roles in making it all happen in 1980. The Freedom Union also wants to see some unity against the former communists now running the country. His pleas seem to be falling on stony ground. Piotr Zak, Solidarity's spokesman, says that although the opposition needs to unite to unseat the former communist coalition in parliamentary elections next year, the ballot will probably see at least three competing non-communist groups. Internal bickering, splits in the opposition - quite like the good old, had old days.

Monkey business

There's a new attraction in the ape house at Copenhagen's zoo. Two homo sapiens - one male, one female - have taken up residence. Henrik Lehmann, 25, and Malene Botof, 29, will live in a furnished plexiglass cage, complete with fax machine and computer, until September 15. Lehmann and Botof will, ahem, be on show, doing what comes naturally. Not that voyeurs should get their hopes up: "Onlookers will be disappointed if they expect to see the couple having sexual relations... Such intimate behaviour is reserved for after hours, with only the monkeys as witnesses," says zoo spokesman Peter Haase. Just so long as they don't publicly argue over who does the washing up, we'll be more than content.

Can't refuse this

Professor Franco Modigliani, the Nobel prize-winning

Same old story

Former dissidents never quite leave the political stage, as Josik Kuron, a stalwart of Poland's 1970s Workers' Defence Committee and Labour minister in the first post-1989 Solidarity government, shows. Kuron, now 66, dropped from public view after a disappointing result in his bid for Poland's presidency last autumn. But he re-emerged at the weekend at a

Fuel for thought

Been stuck in an August weekend traffic jam? Hear this. Germany's Mercedes-Benz has been offering one-day training courses that teach drivers how to cut fuel consumption by an average 30 per cent. The tricks include simple things such as turning the engine off at traffic lights, driving in as high a gear as possible and making sure that

Financial Times

100 years ago

French alcohol monopoly It is reported from Paris, on the authority of the "Matin" that the question of a state monopoly in alcohol is to be raised in the French Legislature next session; and the news will strike terror into the heart of the tourist. The British visitor has discovered, with delight, that when he orders whisky he is allowed the free run of the bottle for 50 centimes and it is improbable that this state of bliss would be allowed to continue under a state monopoly.

50 years ago

Anglo-Iranian Position By Diarist A correspondent suggests that Anglo-Iranians are a more attractive purchase than Shells. While I think he underrates the recovery potentialities of Shells, there is no denying the superior attractions of Anglo-Iranians purely on yield considerations, present and prospective. But the geographical position of the properties has, of course, certain disturbing implications which cannot be disregarded so long as Russia's post-war aims give rise to anxious uncertainty. Anglo-Iranians are not for the investor who finds difficulty in sleeping soundly; but for those with stronger nerves, the shares have their points.

